



## **COUNCIL CHAMBERS**

17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

<b>COUNCIL MEMBERS</b>	<b>REDEVELOPMENT AGENCY</b>
Dennis Kennedy, Mayor	Dennis Kennedy, Chair
Mark Grzan, Mayor Pro Tempore	Mark Grzan, Vice-Chair
Larry Carr, Council Member	Larry Carr, Agency Member
Greg Sellers, Council Member	Greg Sellers, Agency Member
Steve Tate, Council Member	Steve Tate, Agency Member

**WEDNESDAY, SEPTEMBER 27, 2006**

**AGENDA**

**JOINT MEETING**

**CITY COUNCIL REGULAR MEETING**

**and**

**REDEVELOPMENT AGENCY REGULAR MEETING**

**7:00 P.M.**

**CALL TO ORDER**

(Mayor/Chairperson Kennedy)

**ROLL CALL ATTENDANCE**

(City Clerk/Agency Secretary Torrez)

**DECLARATION OF POSTING OF AGENDA**

**Per Government Code 54954.2**

(City Clerk/Agency Secretary Torrez)

**7:00 P.M.**

**SILENT INVOCATION**

**PLEDGE OF ALLEGIANCE**

**PRESENTATIONS**

**PROCLAMATIONS**

**RECOGNITIONS**

**CITY COUNCIL REPORT**

Council Member Sellers

**CITY COUNCIL COMMITTEE REPORTS**

**CITY MANAGER'S REPORT**

**CITY ATTORNEY'S REPORT**

**OTHER REPORTS**

**PUBLIC COMMENT**

**NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS NOT ON THIS AGENDA.**

(See notice attached to the end of this agenda.)

**PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME  
THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND  
PRESENT IT TO THE CITY CLERK.**

(See notice attached to the end of this agenda.)

**PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE  
CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY  
COUNCIL/REDEVELOPMENT AGENCY.**

## ***City Council and Redevelopment Agency Action***

**ADOPTION OF AGENDA**

## City Council Action

### CONSENT CALENDAR:

#### ITEMS 1-4

The Consent Calendar may be acted upon with one motion, a second and the vote, by each respective Agency. The Consent Calendar items are of a routine or generally uncontested nature and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of Conduct, any member of the Council or public may request to have an item pulled from the Consent Calendar to be acted upon individually.

	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	
1.	<u><a href="#">AUGUST 2006 FINANCE AND INVESTMENT REPORT – CITY</a></u> .....6 <u>Recommended Action(s):</u> <u>Accept</u> and <u>File</u> Report.	
2.	<u><a href="#">AWARD OF CONTRACT FOR THE COMMUNITY PARK IMPROVEMENTS PROJECT PHASE I</a></u> .....31 <u>Recommended Action(s):</u> 1. <u>Award</u> Contract to Perma-Green Hydroseeding, Inc. for the Construction of the Community Park Improvements Project Phase I in the Amount of \$1,511,933; and 2. <u>Authorize</u> Expenditure of Construction Contingency Funds not to Exceed \$75,000.	
3.	<u><a href="#">PERFORMANCE MEASURE UPDATE – FOURTH QUARTER FISCAL YEAR 2005-2006</a></u> .....32 <u>Recommended Action(s):</u> <u>Receive</u> and <u>File</u> Report.	
4.	<u><a href="#">REJECTION OF BIDS FOR THE HILL ROAD, GALLANT FOX WAY, THOMAS GRADE AND OAK LEAF COURT SEWER REHABILITATION PROJECT</a></u> .....43 <u>Recommended Action(s):</u> 1. <u>Reject</u> the Bid Received on September 19, 2006 for the Construction of the Hill Road, Gallant Fox Way, Thomas Grade and Oak Leaf Court Sewer Rehabilitation Project; and 2. <u>Authorize</u> Staff to Re-Bid the Project.	

## Redevelopment Agency Action

### CONSENT CALENDAR:

#### ITEM 5

	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	
5.	<u><a href="#">AUGUST 2006 FINANCE AND INVESTMENT REPORT – RDA</a></u> ..... 44 <u>Recommended Action(s):</u> <u>Receive</u> and <u>File</u> Report.	

## City Council Action

### OTHER BUSINESS:

	Time Estimate		Page
6.	45 Minutes	<u><a href="#">AQUATIC CENTER LANE RENTAL RATES AND MORGAN HILL SWIM CLUB REPAYMENT PLAN</a></u> .....	53
		<u>Recommended Action(s):</u>	
		1. <u>Approve</u> the Proposed Aquatic Center Land Rental Rates Effective August 1, 2006; and	
		2. <u>Approve</u> the Morgan Hill Swim Club Repayment Plan and <u>Authorize</u> the City Manager to Execute a Contract; Subject to Review and Approval by the City Attorney.	
7.	20 Minutes	<u><a href="#">WATER RATES</a></u> .....	72
		<u>Recommended Action(s):</u> <u>Take</u> No Action Regarding Water Rates or Perchlorate Surcharges, thus <u>Keeping</u> the Adopted Series of Rate Adjustments in Effect.	
8.	30 Minutes	<u><a href="#">WILDLIFE SCULPTURE TRAIL ALONG LITTLE LLAGAS CREEK</a></u> .....	79
		<u>Recommended Action(s):</u>	
		1. <u>Hear</u> Presentation and <u>Discuss</u> the Concept of a Wildlife Sculpture Trail Along Little Llagas Creek; and	
		2. <u>Refer</u> the Item to the Trails Master Plan Steering Committee to be Considered for Inclusion in the City of Morgan Hill Trails Master Plan.	
9.	10 Minutes	<u><a href="#">PERCHLORATE UPDATE</a></u> .....	80
		<u>Recommended Action(s):</u> <u>Information</u> only at this time; Subject to <u>Recommendation</u> from Utilities and Environmental Committee's September 25, 2006 Meeting Regarding Perchlorate Treatment Policy.	

### FUTURE COUNCIL-INITIATED AGENDA ITEMS:

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

### ADJOURNMENT

**PUBLIC COMMENTS ON ITEMS *NOT* APPEARING ON AGENDA**

Following the opening of Council/Agency business, the public may present comments on items *NOT* appearing on the agenda that are within the Council's/Agency's jurisdiction. Should your comments require Council/Agency action, your request will be placed on the next appropriate agenda. No Council/Agency discussion or action may be taken until your item appears on a future agenda. You may contact the City Clerk/Agency Secretary for specific time and dates. This procedure is in compliance with the California Public Meeting Law (Brown Act) G.C. 54950.5. Please limit your presentation to three (3) minutes.

**PUBLIC COMMENTS ON ITEMS APPEARING ON AGENDA**

The Morgan Hill City Council/Redevelopment Agency welcomes comments from all individuals on any agenda item being considered by the City Council/Redevelopment Agency. Please complete a Speaker Card and present it to the City Clerk/Agency Secretary. This will assist the Council/Agency Members in hearing your comments at the appropriate time. Speaker cards are available on the table in the foyer of the Council Chambers. In accordance with Government Code 54953.3 it is not a requirement to fill out a speaker card in order to speak to the Council/Agency. However, it is very helpful to the Council/Agency if speaker cards are submitted. As your name is called by the Mayor/Chairman, please walk to the podium and speak directly into the microphone. Clearly state your name and address and then proceed to comment on the agenda item. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the City Council/Agency Commission are limited to three minutes. We appreciate your cooperation.

**NOTICE**

**AMERICANS WITH DISABILITIES ACT (ADA)**

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City. If you need special assistance to access the meeting room or to otherwise participate at this meeting, including auxiliary aids or services, please contact the Office of the City Clerk/Agency Secretary at City Hall, 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation. Please make your request at least 48 hours prior to the meeting to enable staff to implement reasonable arrangements to assure accessibility to the meeting.

If assistance is needed regarding any item appearing on the City Council/Agency Commission agenda, please contact the Office of the City Clerk/Agency Secretary at City Hall, 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.

**NOTICE**

Notice is given, pursuant to Government Code Section 65009, that any challenge of Public Hearing Agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the City Council/Agency Commission at, or prior to the Public Hearing on these matters.

**NOTICE**

The time within which judicial review must be sought of the action by the City Council/Agency Commission which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *September 27, 2006*

### **AUGUST 2006 FINANCE & INVESTMENT REPORT**

#### **RECOMMENDED ACTION:**

Accept and File Report

#### **EXECUTIVE SUMMARY:**

Attached is the monthly Finance and Investment Report for the period ended August 31, 2006. The report covers the first two months of activity for the 2006/2007 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

**FISCAL IMPACT:** as presented

**Agenda Item # 1**

**Prepared By:**

**Asst Finance Director**

**Approved by:**

**Finance Director**

**Submitted By:**

**City Manager**

**CITY OF MORGAN HILL**  
**Monthly Financial and Investment Reports**  
**August 31, 2006 – 17% Year Complete**



**CITY OF MORGAN HILL**

**Prepared by:**  
**FINANCE DEPARTMENT**



CITY OF MORGAN HILL, CALIFORNIA  
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2006/07  
FOR THE MONTH OF AUGUST 2006 - 17% OF YEAR COMPLETE

This analysis of the status of the City's financial situation reflects 17% of the year. However, this analysis is somewhat limited. Many of the City's current year revenues have not been received as of this time of the year, such as property taxes, transient occupancy taxes and franchise fees. The beginning of a fiscal year normally reflects a surge in purchasing. This is due to the start of projects included in the new budget and to the season to take advantage of good weather for construction projects.

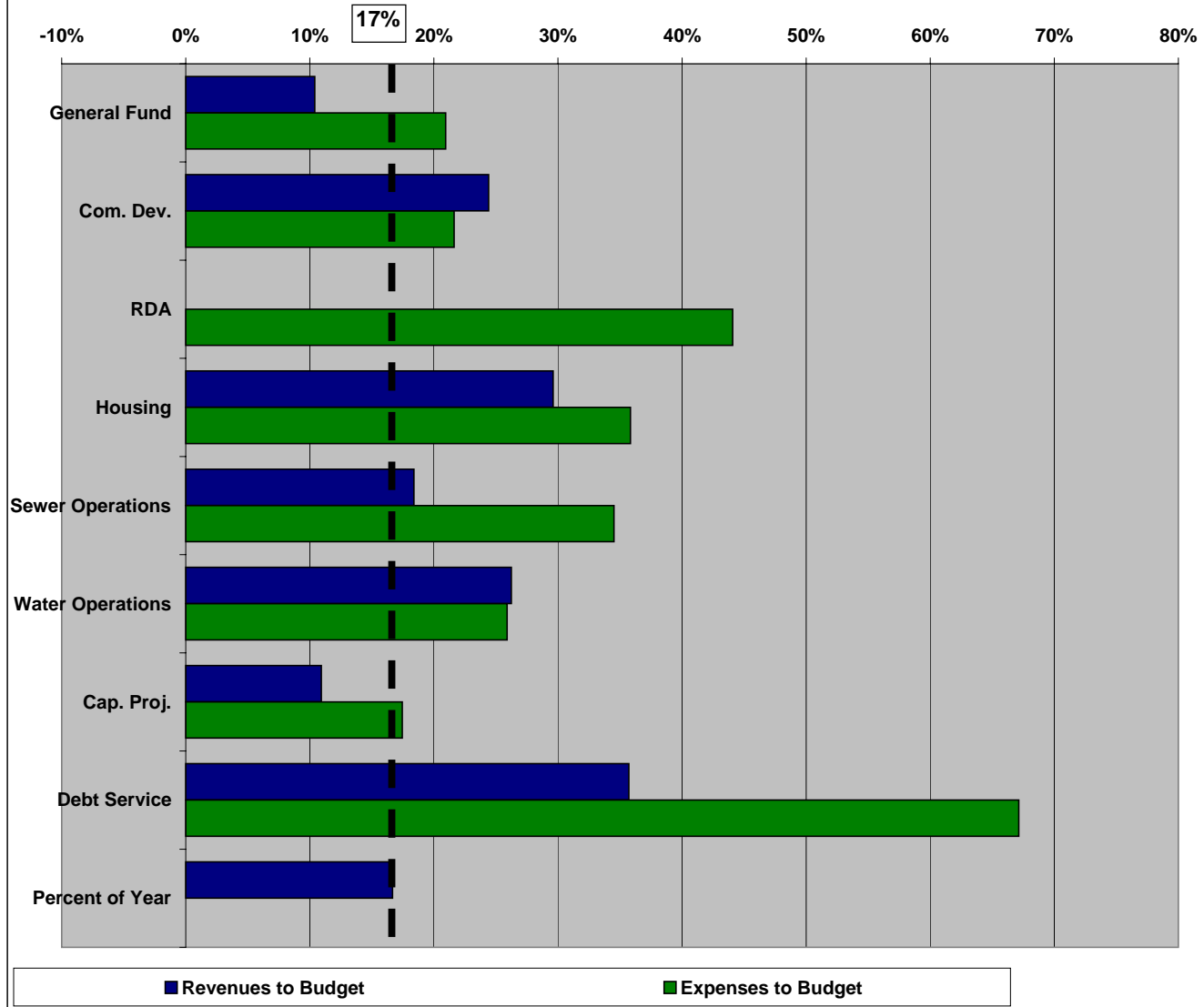
- \* **General Fund** - The revenues received in the General Fund were approximately 10% of the budgeted revenues. A very small amount of property related taxes were received by the City in August. The amount of Sales Tax collected was 13% of the sales tax revenue budget and was 35% more than the amount collected for the same period last year. The City must wait, under the triple flip legislation, until late in the year to receive 25% of its sales tax revenues. Business license and other permit collections were 80% of the budgeted amount. Business license renewal fees were due in July; therefore the higher percent of budget collected early in the year is normal. 7% of budgeted motor vehicle in lieu fees has been collected from the State. Interest & Other Revenue were 16% of budget and do not reflect July and August interest earnings that will be posted in October as part of earnings for the quarter ending September.
- \* The General Fund expenditures and encumbrances to date totaled 21% of the budgeted appropriations. The outstanding encumbrances in several activities are encumbrances for projects started but not completed in the prior year and carried forward to the current fiscal year.
- \* **Transient Occupancy (Hotel) Tax** - The TOT rate is 10%. The City receives transient occupancy taxes on a quarterly basis. Taxes for the first quarter ending September 30 have not yet been received and will be received by the City after the end of the quarter.
- \* **Community Development** - Revenues were 24% of budget, which was 34% more than the amount collected in the like period for the prior year. Planning expenditures plus encumbrances were 21% of budget; Building has expended or encumbered 15% of budget and Engineering 30%. Community Development has expended or encumbered a combined total of 22% of the 2006/07 budget, including \$339,819 in encumbrances. If encumbrances were excluded, Community Development would have spent only 12% of the combined budget.
- \* **RDA and Housing** – No property tax increment revenues have been received as of August 31, 2006. Expenditures plus encumbrances totaled 43% of budget. If encumbrances totaling \$14,909,017 were excluded, the RDA would have spent 13% of the combined budget.
- \* **Water and Sewer Operations**- Water Operations revenues, including service fees, were 26% of budget. Expenditures also totaled 26% of appropriations. Sewer Operations revenues, including service fees, were 18% of budget. Expenditures for sewer operations were 35% of budget. This higher percentage results from a principal and interest payment on debt service paid in July.
- \* **Investments maturing/called/sold during this period.** – During the month of August, \$4 million in federal agency investments matured. Further details of investments are included on pages 6-8 of this report.





# Morgan Hill YTD Revenue & Expense Summary

August 31, 2006 - 17% Year Complete



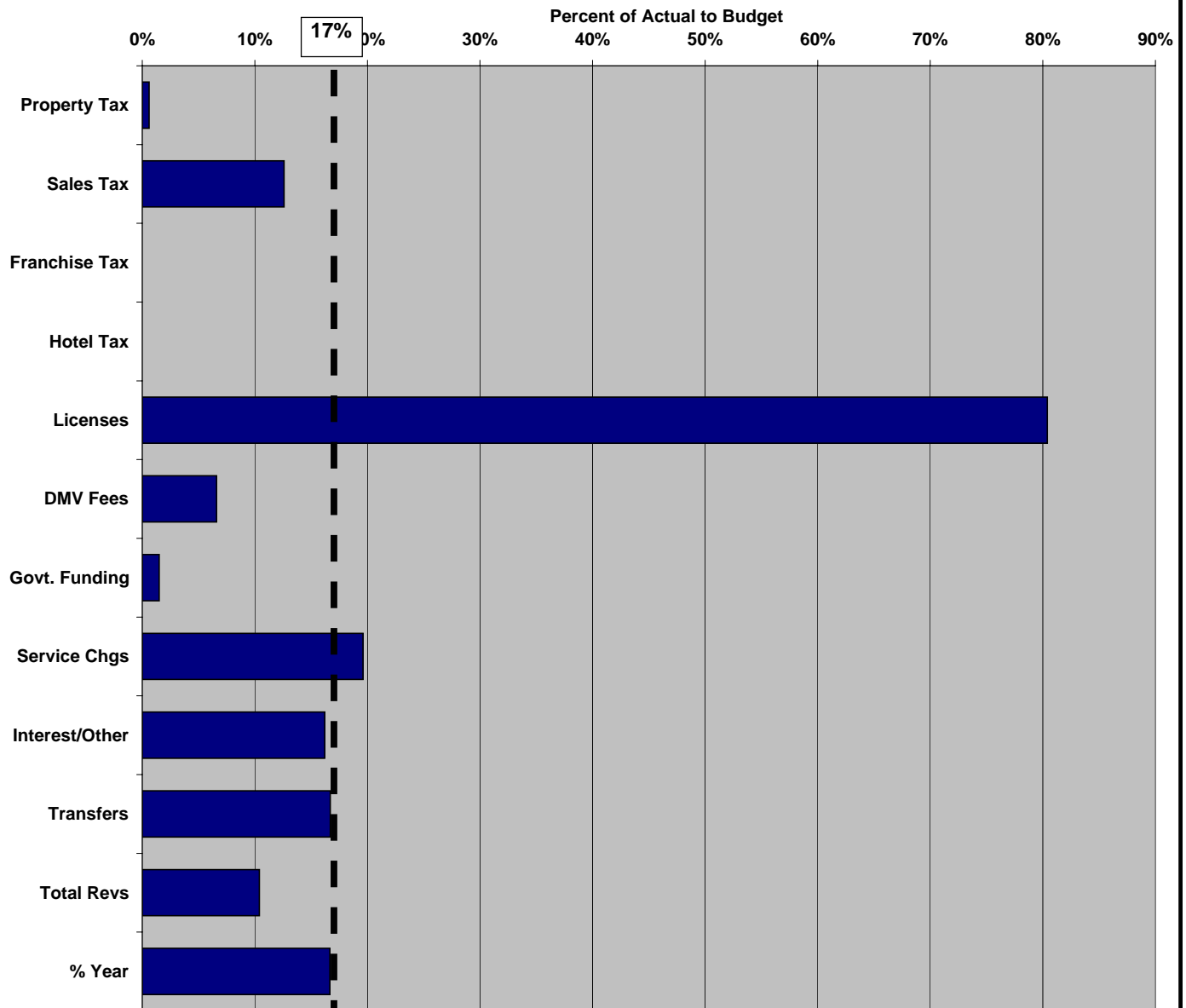
FUND NAME	REVENUES		EXPENSES		08/31/2006 UNRESTRICTED FUND BALANCE
	ACTUAL	% OF BUDGET	ACTUAL plus ENCUMBRANCES	% OF BUDGET	
General Fund	\$2,299,698	10%	\$4,845,872	21%	\$7,978,838
Community Development	825,250	24%	803,402	22%	2,217,491
RDA	-514	0%	17,201,798	44%	(7,904,206)
Housing/CDBG	1,498,725	30%	4,166,096	36%	4,903,459
Sewer Operations	1,286,986	18%	2,312,955	35%	634,965
Sewer Other	197,180	9%	463,436	5%	15,323,096
Water Operations	2,173,177	26%	2,328,915	26%	3,480,499
Water Other	139,511	16%	308,418	8%	3,077,767
Other Special Revenues <sup>1</sup>	84,480	6%	289,215	9%	5,065,978
Capital Projects & Streets Funds	1,302,306	11%	4,663,323	17%	25,041,870
Debt Service Funds	238,677	36%	446,762	67%	646,964
Internal Service	1,293,901	22%	1,530,942	27%	6,084,991
Agency	81,917	3%	662,686	29%	3,979,837
<b>TOTAL FOR ALL FUNDS</b>	<b>\$11,421,294</b>	<b>12%</b>	<b>\$40,023,820</b>	<b>28%</b>	<b>\$70,531,548</b>

<sup>1</sup> Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



# Morgan Hill YTD General Fund Revenues

August 31, 2006 - 17% Year Complete

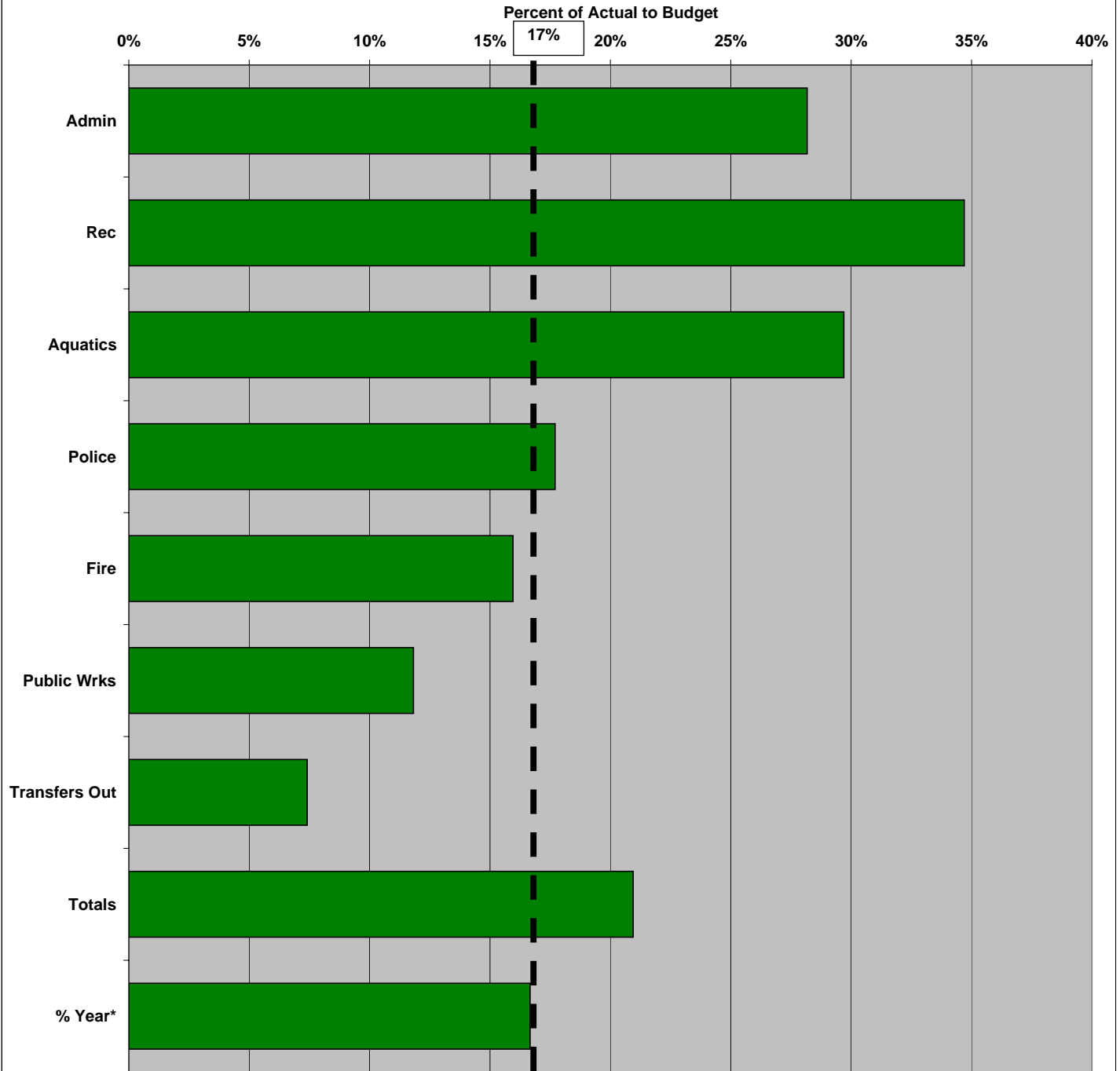


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY RELATED TAXES	\$5,916,055	\$37,114	1%	\$86,953	-57%
SALES TAXES	\$6,545,384	\$821,783	13%	\$610,579	35%
FRANCHISE FEE	\$1,039,752				n/a
HOTEL TAX	\$1,102,100				n/a
LICENSES/PERMITS	\$171,516	\$137,869	80%	\$135,705	2%
MOTOR VEHICLE IN LIEU	\$193,640	\$12,729	7%	\$614,345	-98%
FUNDING - OTHER GOVERNMENTS	\$309,348	\$4,751	2%	\$13,270	-64%
CHARGES CURRENT SERVICES	\$5,224,575	\$1,022,036	20%	\$958,875	7%
INTEREST & OTHER REVENUE	\$1,136,128	\$183,718	16%	\$161,156	14%
TRANSFERS IN	\$478,186	\$79,698	17%	\$40,200	98%
TOTALS	\$22,116,684	\$2,299,698	10%	\$2,621,083	-12%



# Morgan Hill YTD General Fund Expenditures

August 31, 2006 - 17% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
ADMINISTRATION	3,523,843	748,575	28.17%
RECREATION/CCC/CRC	3,379,077	1,172,447	34.70%
AQUATICS	1,558,864	462,914	29.70%
POLICE	9,227,547	1,633,834	17.71%
FIRE	4,579,375	730,564	15.95%
PUBLIC WORKS	751,639	88,871	11.82%
TRANSFERS OUT	117,000	8,667	7.41%
TOTALS	\$ 23,137,345	\$ 4,845,872	20.94%



**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2006/07**  
**For the Month of August 2006**  
**17% of Year Completed**

Fund No.	Fund	Unaudited Fund Balance 06-30-06	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted <sup>2</sup>
010	GENERAL FUND	\$10,525,012	\$2,299,698	10%	3,595,757	16%	(\$1,296,059)	\$1,250,115	\$7,978,838	\$8,545,923	\$6,512
<b>TOTAL GENERAL FUND</b>		<b>\$10,525,012</b>	<b>\$2,299,698</b>	<b>10%</b>	<b>3,595,757</b>	<b>16%</b>	<b>(\$1,296,059)</b>	<b>\$1,250,115</b>	<b>\$7,978,838</b>	<b>\$8,545,923</b>	<b>\$6,512</b>
202	STREET MAINTENANCE	\$591,376	\$446,333	16%	201,448	3%	\$244,885	\$1,753,970	(\$917,709)	\$839,202	
204/205	PUBLIC SAFETY/SUPPL. LAW	\$165,636	(\$9)	0%	29,310	17%	(\$29,319)		\$136,317	\$136,318	
206	COMMUNITY DEVELOPMENT	\$2,195,643	\$825,250	24%	463,583	12%	\$361,667	\$339,819	\$2,217,491	\$2,631,831	
207	GENERAL PLAN UPDATE	\$385,769	\$42,492	15%	7,022	4%	\$35,470	\$53,798	\$367,441	\$422,137	
210	COMMUNITY CENTER	\$237,731	\$99	0%	18,333	n/a	(\$18,234)		\$219,497	\$219,497	
215 / 216	CDBG	\$58,307	\$2,620	1%	3,658	1%	(\$1,038)	\$544,378	(\$487,109)	\$58,460	
225	ASSET SEIZURE	\$8,934	\$3	1%		n/a	\$3		\$8,937	\$8,938	
229	LIGHTING AND LANDSCAPE	\$1,504	\$127	0%	17,052	11%	(\$16,925)	\$10,766	(\$26,187)	(\$14,701)	
232	ENVIRONMENTAL PROGRAMS	\$862,776	\$21,688	5%	50,452	8%	(\$28,764)	\$46,954	\$787,058	\$838,366	
234	MOBILE HOME PK RENT STAB.	\$11,276	(\$506)	-4%	95	2%	(\$601)		\$10,675	\$10,558	
235	SENIOR HOUSING	\$255,892	\$99	1%			\$99		\$255,991	\$255,991	
236	HOUSING MITIGATION	\$2,738,732	\$16,057	6%			\$16,057		\$2,754,789	\$2,754,790	
240	EMPLOYEE ASSISTANCE	\$75,930	\$4,210	11%	55,433	158%	(\$51,223)		\$24,707	\$23,606	
247	ENVIRONMENT REMEDIATION	\$526,533	\$220	1%			\$220		\$526,753	\$501,754	
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>\$8,116,039</b>	<b>\$1,358,683</b>	<b>17%</b>	<b>846,386</b>	<b>6%</b>	<b>\$512,297</b>	<b>\$2,749,685</b>	<b>\$5,878,651</b>	<b>\$8,686,747</b>	
301	PARK DEV. IMPACT FUND	\$5,425,839	\$112,919	8%	26,275	0%	\$86,644	\$402,843	\$5,109,640		\$5,512,483
302	PARK MAINTENANCE	\$3,793,554	\$3,981	1%	27,329	4%	(\$23,348)		\$3,770,206	\$3,770,205	
303	LOCAL DRAINAGE	\$4,210,045	\$134,898	27%	2,171	0%	\$132,727		\$4,342,772		\$4,342,771
304	LOCAL DRAINAGE/NON-AB1600	\$3,049,974	\$44,514	20%	7,028	0%	\$37,486	\$178,366	\$2,909,094	\$3,007,460	
306	OPEN SPACE	\$1,561,984	\$180,248	292%			\$180,248		\$1,742,232	\$1,742,232	
309	TRAFFIC IMPACT FUND	\$4,283,889	\$107,041	10%	250,080	9%	(\$143,039)	\$739,392	\$3,401,458		\$4,124,246
311	POLICE IMPACT FUND	\$58,562	\$56,468	58%	122,683	88%	(\$66,215)		(\$7,653)		(\$7,653)
313	FIRE IMPACT FUND	\$2,726,160	\$19,955	10%	202	0%	\$19,753		\$2,745,913		\$2,745,913
317	REDEVELOPMENT AGENCY	\$9,369,155	(\$514)	0%	2,413,213	6%	(\$2,413,727)	\$14,859,634	(\$7,904,206)	\$6,899,102	
327 / 328	HOUSING	\$8,171,501	\$1,496,105	32%	3,982,246	38%	(\$2,486,141)	\$294,792	\$5,390,568	\$5,589,619	
340/342	MORGAN HILL BUS.RANCH I & II	\$25,433	\$10	1%			\$10		\$25,443	\$25,443	
346	PUBLIC FACILITIES NON-AB1600	\$875,935	\$37,679	7%	118,610		(\$80,931)	\$43,638	\$751,366	\$794,977	\$28
347	PUBLIC FACILITIES IMPACT FUND	\$804,171	\$136,391	50%	59	0%	\$136,332		\$940,503		\$940,503
348	LIBRARY IMPACT FUND	\$746,287	\$15,328	0%	59	0%	\$15,269	\$620,421	\$141,135		\$761,557
350	UNDERGROUNDING	\$58,752	(\$1,791)	-2%	22,777	11%	(\$24,568)	\$143,806	(\$109,622)	\$34,653	
360	COMM/REC CTR IMPACT FUND	\$190,926	\$8,332	-2%	2,166	2%	\$6,166		\$197,092	\$197,093	
<b>TOTAL CAPITAL PROJECT FUNDS</b>		<b>\$45,352,167</b>	<b>\$2,351,564</b>	<b>7%</b>	<b>6,974,898</b>	<b>10%</b>	<b>(\$4,623,334)</b>	<b>\$17,282,892</b>	<b>\$23,445,941</b>	<b>\$22,060,784</b>	<b>\$18,419,847</b>
441	POLICE FACILITY BOND DEBT	\$471,467	\$238,371	53%	295,649		(\$57,278)		\$414,189	(\$43,955)	\$458,144
545	COCHRANE BUSINESS PARK	\$355,597	\$270	0%	150,886	1%	(\$150,616)		\$204,981	\$24,031	\$180,950
551	JOLEEN WAY	\$27,985	\$36	0%	227	1%	(\$191)		\$27,794	\$10,545	\$17,249
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>\$855,049</b>	<b>\$238,677</b>	<b>36%</b>	<b>446,762</b>	<b>67%</b>	<b>(\$208,085)</b>		<b>\$646,964</b>	<b>(\$9,379)</b>	<b>\$656,343</b>



**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2006/07**  
**For the Month of August 2006**  
**17% of Year Completed**

Fund No.	Fund	Unaudited Fund Balance 06-30-06	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted <sup>2</sup>
640	SEWER OPERATIONS	\$12,135,702	\$1,286,986	18%	2,238,012	33%	(\$951,026)	\$10,549,711	\$634,965	\$526,923	\$1,896,984
641	SEWER IMPACT FUND	\$13,708,549	\$195,023	10%	10,025	0%	\$184,998	\$5,082,425	\$8,811,122		\$6,853,172
642	SEWER RATE STABILIZATION	\$5,213,306	\$1,773	1%	250,136	17%	(\$248,363)		\$4,964,943	\$4,964,944	
643	SEWER-CAPITAL PROJECTS	\$9,196,436	\$384	1%	5,357	2%	(\$4,973)	\$7,644,432	\$1,547,031	\$1,109,639	
650	WATER OPERATIONS	\$23,174,529	\$2,173,177	26%	1,169,772	13%	\$1,003,405	\$20,697,435	\$3,480,499	\$3,783,804	\$392,928
651	WATER IMPACT FUND	\$3,923,143	\$72,150	17%	34,699	2%	\$37,451	\$8,161,418	(\$4,200,825)		\$2,978,015
652	WATER RATE STABILIZATION	\$738,130	\$67,196	15%	49	17%	\$67,147		\$805,277	\$805,278	
653	WATER -CAPITAL PROJECT	\$7,067,711	\$165	1%	37,632	3%	(\$37,467)	\$556,931	\$6,473,315	\$1,817,390	\$216,805
<b>TOTAL ENTERPRISE FUNDS</b>		<b>\$75,157,506</b>	<b>\$3,796,854</b>	<b>21%</b>	<b>3,745,682</b>	<b>13%</b>	<b>\$51,172</b>	<b>\$52,692,353</b>	<b>\$22,516,326</b>	<b>\$13,007,978</b>	<b>\$12,337,904</b>
730	DATA PROCESSING	\$442,506	\$49,940	16%	21,860	6%	\$28,080	\$278,697	\$191,889	\$298,700	
740	BUILDING MAINTENANCE	\$1,299,463	\$322,502	16%	474,343	24%	(\$151,841)	\$38,195	\$1,109,427	\$1,184,604	
741	BUILDING REPLACEMENT		\$56,922	15%			\$56,922		\$56,922	\$56,923	
745	CIP ADMINISTRATION	\$33,002	\$198,987	15%	192,908	13%	\$6,079	\$68,920	(\$29,839)	\$117,294	
760	UNEMPLOYMENT INS.	\$81,665		n/a					\$81,665	\$81,665	
770	WORKER'S COMP.	\$422,789	\$163,973	21%	155,588	31%	\$8,385		\$431,174	\$1,041,595	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,828,857	\$78,637	13%	52,171	6%	\$26,466	\$634,897	\$3,220,426	\$3,305,443	
793	CORPORATION YARD	\$254,176		n/a	15,392	na	(\$15,392)	\$220,967	\$17,817	\$29,060	
795	GEN'L LIABILITY INS.	\$902,997	\$422,940	92%	320,427	76%	\$102,513		\$1,005,510	\$1,111,583	
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>\$7,265,455</b>	<b>\$1,293,901</b>	<b>22%</b>	<b>1,232,689</b>	<b>21%</b>	<b>\$61,212</b>	<b>\$1,241,676</b>	<b>\$6,084,991</b>	<b>\$7,226,867</b>	<b>\$40,000</b>
820	SPECIAL DEPOSITS									\$1,286,169	
843	M.H. BUS. RANCH 1998	\$1,566,809	\$7,972	1%	599,560	70%	(\$591,588)		\$975,221	\$64,013	\$911,208
844,842,841	MH RANCH RSMNT 2004A	\$1,023,688	\$5,549		1,559	0%	\$3,990		\$1,027,678	\$104,949	\$922,727
845,846	MADRONE BP-A/B	\$1,474,809	\$68,204		61,483	8%	\$6,721		\$1,481,530	\$22,899	\$1,458,629
848	TENNANT AVE.BUS.PK A.D.	\$476,826	\$184	1%	84	na	\$100		\$476,926	\$476,925	
881	POLICE DONATION TRUST FUND	\$18,474	\$8	1%		na	\$8		\$18,482		\$18,482
<b>TOTAL AGENCY FUNDS</b>		<b>\$4,560,606</b>	<b>\$81,917</b>	<b>3%</b>	<b>662,686</b>	<b>29%</b>	<b>(\$580,769)</b>		<b>\$3,979,837</b>	<b>\$1,954,953</b>	<b>\$3,311,046</b>
<b>SUMMARY BY FUND TYPE</b>											
GENERAL FUND GROUP		\$10,525,012	\$2,299,698	10%	3,595,757	16%	(\$1,296,059)	\$1,250,115	\$7,978,838	\$8,545,923	\$6,512
SPECIAL REVENUE GROUP		\$8,116,039	\$1,358,683	17%	846,386	6%	\$512,297	\$2,749,685	\$5,878,651	\$8,686,747	
DEBT SERVICE GROUP		\$855,049	\$238,677	36%	446,762	67%	(\$208,085)		\$646,964	(\$9,379)	\$656,343
CAPITAL PROJECTS GROUP		\$45,352,167	\$2,351,564	7%	6,974,898	10%	(\$4,623,334)	\$17,282,892	\$23,445,941	\$22,060,784	\$18,419,847
ENTERPRISE GROUP		\$75,157,506	\$3,796,854	21%	3,745,682	13%	\$51,172	\$52,692,353	\$22,516,326	\$13,007,978	\$12,337,904
INTERNAL SERVICE GROUP		\$7,265,455	\$1,293,901	22%	1,232,689	21%	\$61,212	\$1,241,676	\$6,084,991	\$7,226,867	\$40,000
AGENCY GROUP		\$4,560,606	\$81,917	3%	662,686	29%	(\$580,769)		\$3,979,837	\$1,954,953	\$3,311,046
<b>TOTAL ALL GROUPS</b>		<b>\$151,831,834</b>	<b>\$11,421,294</b>	<b>12%</b>	<b>17,504,860</b>	<b>12%</b>	<b>(\$6,083,566)</b>	<b>\$75,216,721</b>	<b>\$70,531,548</b>	<b>\$61,473,874</b>	<b>\$34,771,652</b>
<b>TOTAL CASH AND INVESTMENTS</b>										<b>\$96,245,526</b>	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

<sup>1</sup> Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

<sup>2</sup> Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



**CITY OF MORGAN HILL CASH AND INVESTMENT REPORT**  
**FOR THE MONTH OF AUGUST 2006**  
**FOR THE FISCAL YEAR OF 2006-07**

	Invested in Fund	Yield	Book Value End of Month	Investment Category Subtotal at Cost	% of Total	Market Value*
<b>Investments</b>						
State Treasurer LAIF - City	All Funds Pooled	4.95%	\$12,811,190		13.33%	\$12,787,948
- RDA	RDA	4.95%	\$2,910,187		3.02%	\$2,904,907
Federal Issues	All Funds Pooled	3.67%	\$56,248,036		58.43%	\$55,124,415
SVNB CD	All Funds Pooled	3.60%	\$2,000,000		2.08%	\$2,000,000
US Treasury Notes	All Funds Pooled	5.17%	\$1,975,783		2.05%	\$2,013,820
Money Market	All Funds Pooled	5.08%	\$8,506,965	\$84,452,161	8.84%	\$8,506,965
<b>Bond Reserve Accounts - held by trustees</b>						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,400			
Blackrock Provident Temp Fund		4.62%	\$47,584		1.97%	\$2,296,262
US Bank - 1999 Water C.O.P.						
First American Treasury	Water	4.73%	\$3,939		0.00%	
FNMA		4.02%	\$388,989		0.40%	\$396,939
BNY - MH Water Revenue Bonds						
Blackrock Liquidity Temp Fund	Water	4.96%	\$35,416		0.04%	\$35,416
FHLB		4.50%	\$687,267		0.71%	\$683,938
Morgan Stanley Repurchase Agreement		1.64%	\$353,934		0.37%	\$353,934
BNY - MH Police Facility Lease Revenue Bonds						
JP Morgan Treasury Plus	Debt Service	4.78%	\$523		0.00%	\$523
FNMA	Public Facility	4.31%	\$457,648		0.48%	\$456,174
US Bank - MH Ranch 98						
First American Treasury Obligation	Agency Fund	4.67%	\$911,208		0.95%	\$911,208
BNY - Madrone Bus Park Tax Exempt						
Blackrock Liquidity Temp Fund #20	Agency Fund	4.71%	\$1,412,141		1.47%	\$1,412,141
BNY - Madrone Bus Park Taxable						
Blackrock Liquidity Temp Fund #20	Agency Fund	4.71%	\$89,225		0.09%	\$89,225
BNY - MH Ranch 2004 A						
Blackrock Provident Temp Fund	MH Ranch Bus Park Agency Fund	4.62%	\$922,727	\$7,160,001	0.96%	\$922,727
<b>Other Accounts/Deposits</b>						
General Checking	All Funds		\$2,061,368		2.14%	\$2,061,368
Dreyfuss Treas Cash Management Account	All Funds		\$2,379,913		2.47%	\$2,379,913
Borel Bank - Cash in Escrow Account	Streets/Pub Fac	0.90%	\$145,570		0.15%	\$145,570
Athens Administrators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds		\$6,512	\$4,633,363	0.01%	\$6,512
<b>Total Cash and Investments</b>			<b>\$96,245,526</b>	<b>\$96,245,525</b>	<b>100.00%</b>	<b>\$95,529,905</b>
<b>MH Financing Authority Investment in</b>						
MH Ranch AD Imprvmt Bond Series 2004		1.75% to 4.50%	\$4,795,000			Unavailable
MH Madrone Bus Park Bond Series A		5.82%	\$8,620,000			Unavailable
MH Madrone Bus Park Bond Series B		7.07%	\$1,110,000			Unavailable

**CASH ACTIVITY SUMMARY**  
**FY 06/07**

Fund Type	07/01/06 Balance	Change in Cash Balance	08/31/06 Balance	Restricted	Unrestricted
General Fund	\$9,820,833	(\$1,268,398)	\$8,552,435	\$6,512	\$8,545,923
Community Development	\$2,305,394	\$326,437	\$2,631,831	\$0	\$2,631,831
RDA (except Housing)	\$11,327,387	(\$4,428,285)	\$6,899,102	\$0	\$6,899,102
Housing / CDBG	\$8,036,818	(\$2,388,738)	\$5,648,080	\$0	\$5,648,080
Water - Operations	\$3,725,493	\$451,240	\$4,176,733	\$392,928	\$3,783,805
Water Other	\$6,114,596	(\$297,108)	\$5,817,488	\$3,194,820	\$2,622,668
Sewer - Operations	\$3,447,692	(\$1,023,786)	\$2,423,906	\$1,896,984	\$526,922
Sewer Other	\$12,972,312	(\$44,557)	\$12,927,755	\$6,853,172	\$6,074,583
Other Special Revenue	\$5,140,341	\$16,912	\$5,157,253	\$0	\$5,157,253
Streets and Capital Projects (except RDA)	\$28,906,152	(\$75,040)	\$28,831,112	\$18,419,847	\$10,411,265
Assessment Districts/Debt Service	\$852,813	(\$205,848)	\$646,965	\$656,343	-\$9,378
Internal Service	\$7,385,188	(\$118,321)	\$7,266,867	\$40,000	\$7,226,867
Agency Funds	\$5,838,919	(\$572,920)	\$5,265,999	\$3,311,046	\$1,954,953
<b>Total</b>	<b>\$105,873,938</b>	<b>(\$9,628,412)</b>	<b>\$96,245,526</b>	<b>\$34,771,652</b>	<b>\$61,473,874</b>

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.  
 \* Market value as of 08/31/06

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by: \_\_\_\_\_  
 Lourdes Reroma  
 Accountant I

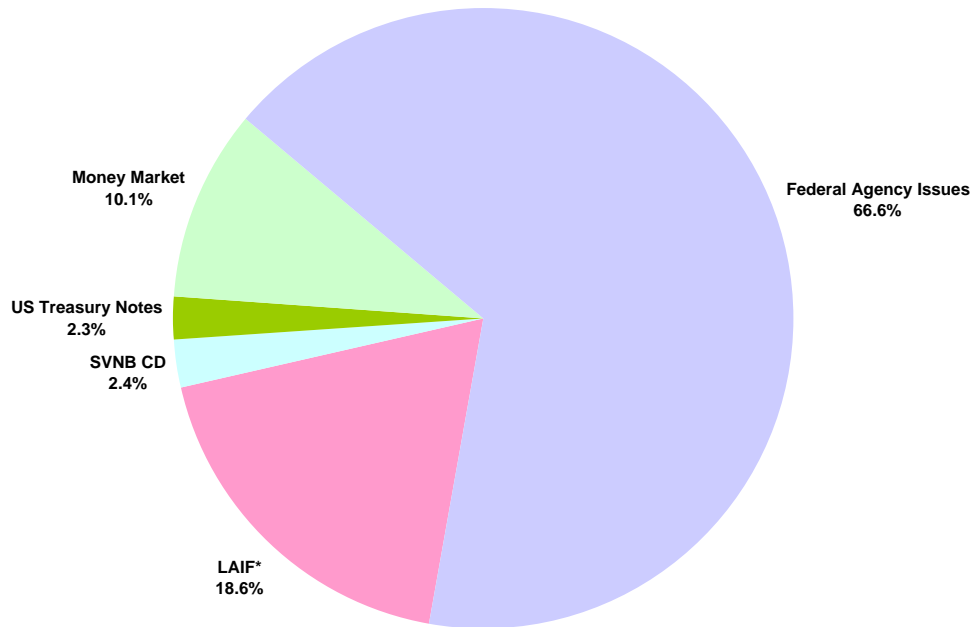
Approved by: \_\_\_\_\_  
 Jack Dilles  
 Director of Finance

Verified by: \_\_\_\_\_  
 Tina Reza  
 Assistant Director of Finance

\_\_\_\_\_  
 Mike Roorda  
 City Treasurer



# CITY OF MORGAN HILL INVESTMENT PORTFOLIO DETAIL as of 08/31/06



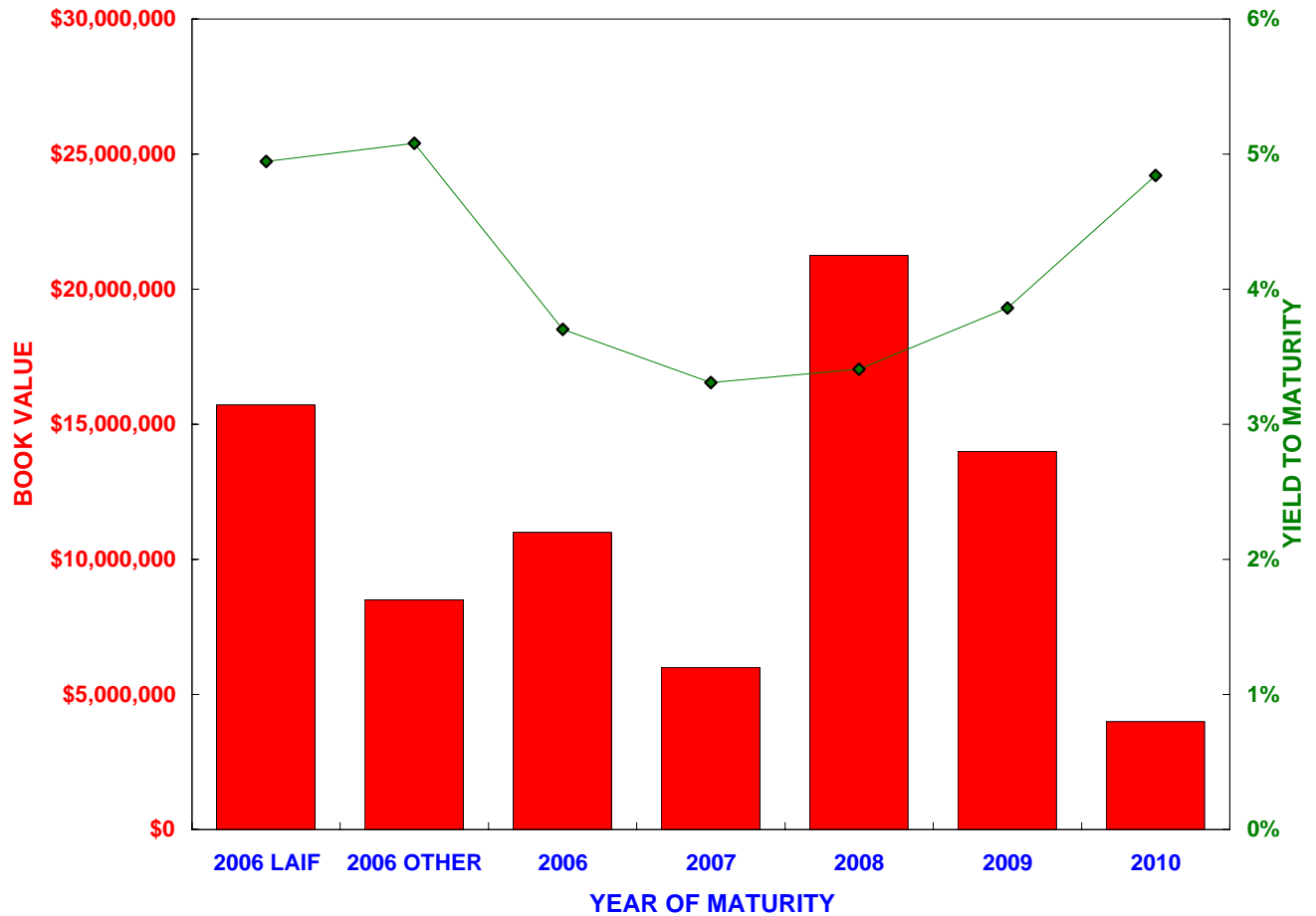
Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
<b>L A I F*</b>									
SVNB CD	07/07/05	\$2,000,000	2.37%	\$2,000,000	3.600%	\$12,400		07/06/07	0.932
US Treasury Notes	06/27/06	\$1,975,783	2.34%	\$2,013,820	5.170%	\$18,446		04/30/11	4.663
<b>Federal Agency Issues</b>									
Fed Home Loan Bank	03/08/05	\$1,999,987	2.37%	\$1,995,620	3.470%	\$11,805	09/08/06	09/08/06	0.019
Fed Home Loan Bank	12/15/04	\$2,000,000	2.37%	\$1,998,120	3.250%	\$10,833	09/15/06	09/15/06	0.038
Fed Home Loan Bank	03/15/05	\$1,000,000	1.18%	\$999,380	3.500%	\$5,897	09/15/06	09/15/06	0.038
Fed Home Loan Bank	12/29/05	\$4,000,000	4.74%	\$3,997,520	4.625%	\$62,337	09/29/06	09/29/06	0.077
Fed Home Loan Bank	03/29/04	\$2,000,000	2.37%	\$1,982,500	2.650%	\$8,929	12/29/06	12/29/06	0.326
Fed Home Loan Bank	03/18/04	\$2,000,000	2.37%	\$1,965,000	3.030%	\$10,210	09/18/06	06/18/07	0.795
Fed Home Loan Bank	03/29/04	\$2,000,000	2.37%	\$1,953,120	3.300%	\$11,120	09/28/06	12/28/07	1.323
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.37%	\$1,953,460	3.500%	\$11,793	09/12/06	03/12/08	1.529
Fed Home Loan Bank	03/26/03	\$2,000,000	2.37%	\$1,948,760	3.375%	\$11,372	anytime	03/26/08	1.567
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.37%	\$1,953,920	3.600%	\$12,197	10/16/06	04/16/08	1.625
Fed Home Loan Mgt Corp	04/17/03	\$1,998,049	2.37%	\$1,954,620	3.625%	\$12,709	10/17/06	04/17/08	1.627
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.37%	\$1,936,880	3.210%	\$10,875	12/03/06	06/03/08	1.756
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.37%	\$1,927,500	2.950%	\$9,995	10/30/06	06/12/08	1.781
Fed Home Loan Bank	07/30/03	\$2,000,000	2.37%	\$1,925,620	3.000%	\$10,187	10/30/06	07/30/08	1.912
Fed Home Loan Bank	07/30/03	\$2,000,000	2.37%	\$1,935,000	3.243%	\$11,104	10/30/06	07/30/08	1.912
Fed Home Loan Bank	07/30/03	\$2,000,000	2.37%	\$1,939,380	3.400%	\$11,545	10/30/06	07/30/08	1.912
Fed Home Loan Bank	08/14/03	\$1,250,000	1.48%	\$1,217,975	3.690%	\$7,862	11/14/06	08/14/08	1.953
Fed Home Loan Bank	10/15/03	\$2,000,000	2.37%	\$1,956,880	4.000%	\$6,776	anytime	10/15/08	2.123
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.37%	\$1,934,380	3.650%	\$12,299	anytime	03/16/09	2.540
Fed Home Loan Bank	03/26/04	\$2,000,000	2.37%	\$1,948,760	4.000%	\$13,478	09/26/06	03/26/09	2.567
Fed Home Loan Bank	04/06/04	\$2,000,000	2.37%	\$1,931,260	3.625%	\$12,281	anytime	04/06/09	2.597
Fed Home Loan Bank	04/07/04	\$2,000,000	2.37%	\$1,930,620	3.600%	\$12,197	10/07/06	04/07/09	2.600
Fed National Mortgage	04/16/04	\$2,000,000	2.37%	\$1,936,260	3.750%	\$12,705	10/16/06	04/16/09	2.625
Fed Home Loan Bank	04/29/04	\$2,000,000	2.37%	\$1,935,620	3.750%	\$12,705	10/29/06	04/29/09	2.660
Fed Home Loan Bank	09/29/05	\$2,000,000	2.37%	\$1,968,120	4.650%	\$15,668	09/29/06	09/29/09	3.079
Fed Home Loan Bank	08/16/05	\$2,000,000	2.37%	\$1,986,880	4.875%	\$16,629	08/16/10	08/16/10	3.959
Fed Farm Credit Bank	08/30/05	\$2,000,000	2.37%	\$1,965,000	4.810%	\$16,212	09/07/07	09/07/10	4.019
Fed Home Loan Bank	06/29/06	\$2,000,000	2.37%	\$2,046,260	5.600%	\$19,025	not available	06/28/11	4.825
Redeemed in FY 06/07						\$15,808			
<b>Sub Total/Average</b>		<b>\$56,248,036</b>	<b>66.60%</b>	<b>\$55,124,415</b>	<b>3.668%</b>	<b>\$396,553</b>			<b>1.888</b>
<b>Money Market</b>									
		<b>\$8,506,965</b>	<b>10.07%</b>	<b>\$8,506,965</b>	<b>5.080%</b>	<b>\$11,383</b>			<b>0.003</b>
<b>TOTAL/AVERAGE</b>		<b>\$84,452,161</b>	<b>100.00%</b>	<b>\$83,338,055</b>	<b>4.130%</b>	<b>\$639,550</b>			<b>1.422</b>

\*Per State Treasurer Report dated 08/31/2006, LAIF had invested approximately 5% of its balance in Treasury Bills and Notes, 23% in CDs, 13% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 59% in others.



# CITY OF MORGAN HILL

INVESTMENT MATURITIES  
AS OF AUGUST 31, 2006



YEAR OF MATURITY	BOOK VALUE	MARKET VALUE	AVERAGE RATE	% OF TOTAL
2006 LAIF	\$15,721,377	\$15,692,855	4.946%	18.62%
2006 OTHER	\$8,506,965	\$8,506,965	5.080%	10.07%
2006	\$10,999,987	\$10,973,140	3.704%	13.03%
2007	\$6,000,000	\$5,918,120	3.310%	7.10%
2008	\$21,248,049	\$20,649,995	3.408%	25.16%
2009	\$14,000,000	\$13,585,020	3.861%	16.58%
2010	\$4,000,000	\$3,951,880	4.843%	4.74%
2011	\$3,975,783	\$4,060,080	5.386%	4.71%
TOTAL	\$84,452,161	\$83,338,055	4.130%	100.00%





City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2006/07  
For the Month of August 2006  
17% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>010 GENERAL FUND</b>							
<b><u>TAXES</u></b>							
Property Taxes - Secured/Unsecured/Prio	5,163,305	5,163,305		n/a	18,708	(18,708)	-100%
Supplemental Roll	315,000	315,000		n/a	28,957	(28,957)	-100%
Sales Tax	6,270,200	6,270,200	796,596	13%	586,125	210,471	36%
Public Safety Sales Tax	275,184	275,184	25,187	9%	24,454	733	3%
Transient Occupancy Taxes	1,102,100	1,102,100		n/a		-	n/a
Franchise (Refuse ,Cable ,PG&E)	1,039,752	1,039,752		n/a		-	n/a
Property Transfer Tax	437,750	437,750	37,114	8%	39,288	(2,174)	-6%
<b>TOTAL TAXES</b>	<b>14,603,291</b>	<b>14,603,291</b>	<b>858,897</b>	<b>6%</b>	<b>697,532</b>	<b>161,365</b>	<b>23%</b>
<b><u>LICENSES/PERMITS</u></b>							
Business License	168,611	168,611	136,237	81%	135,012	1,225	1%
Other Permits	2,905	2,905	1,632	56%	693	939	135%
<b>TOTAL LICENSES/PERMITS</b>	<b>171,516</b>	<b>171,516</b>	<b>137,869</b>	<b>80%</b>	<b>135,705</b>	<b>2,164</b>	<b>2%</b>
<b><u>FINES AND PENALTIES</u></b>							
Parking Enforcement	22,000	22,000		n/a	5,013	(5,013)	-100%
City Code Enforcement	70,000	70,000		n/a	26,530	(26,530)	-100%
Business tax late fee/other fines	3,245	3,245	198	6%		198	n/a
<b>TOTAL FINES AND PENALTIES</b>	<b>95,245</b>	<b>95,245</b>	<b>198</b>	<b>0%</b>	<b>31,543</b>	<b>(31,345)</b>	<b>-99%</b>
<b><u>OTHER AGENCIES</u></b>							
Motor Vehicle in-Lieu	193,640	193,640	12,729	7%	614,345	(601,616)	-98%
Other Revenue - Other Agencies	309,348	309,348	4,751	2%	13,270	(8,519)	-64%
<b>TOTAL OTHER AGENCIES</b>	<b>502,988</b>	<b>502,988</b>	<b>17,480</b>	<b>3%</b>	<b>627,615</b>	<b>(610,135)</b>	<b>-97%</b>
<b><u>CHARGES CURRENT SERVICES</u></b>							
False Alarm Charge	30,000	30,000	252	1%	204	48	24%
Business License Application Review	23,690	23,690	4,843	20%	4,295	548	13%
Recreation Revenue	320,510	320,510	39,167	12%	42,400	(3,233)	-8%
Aquatics Revenue	1,289,500	1,289,500	601,228	47%	573,672	27,556	5%
CRC Revenue	1,165,759	1,165,759	17,520	2%	-	17,520	n/a
General Administration Overhead	1,897,936	1,897,936	316,524	17%	298,563	17,961	6%
Other Charges Current Services	497,180	497,180	42,502	9%	39,741	2,761	7%
<b>TOTAL CURRENT SERVICES</b>	<b>5,224,575</b>	<b>5,224,575</b>	<b>1,022,036</b>	<b>20%</b>	<b>958,875</b>	<b>63,161</b>	<b>7%</b>
<b><u>OTHER REVENUE</u></b>							
Use of money/property	512,943	512,943	63,028	12%	2,720	60,308	2217%
Recreation Rentals	478,500	478,500	114,829	24%	110,486	4,343	4%
Other Revenues	49,440	49,440	5,663	11%	16,407	(10,744)	-65%
<b>TOTAL OTHER REVENUE</b>	<b>1,040,883</b>	<b>1,040,883</b>	<b>183,520</b>	<b>18%</b>	<b>129,613</b>	<b>53,907</b>	<b>42%</b>
<b><u>TRANSFERS IN</u></b>							
Park Maintenance	125,000	125,000	20,833	17%	-	20,833	n/a
Sewer Enterprise	42,436	42,436	7,073	17%	6,867	206	3%
Water Enterprise	20,600	20,600	3,433	17%	3,333	100	3%
Public Safety	175,000	175,000	29,167	17%	29,167	-	n/a
Community Rec Center	110,000	110,000	18,334	17%		18,334	n/a
HCD Block Grant	5,150	5,150	858	17%	833	25	3%
Other Funds	-	-	-	n/a	-	-	n/a
<b>TOTAL TRANSFERS IN</b>	<b>478,186</b>	<b>478,186</b>	<b>79,698</b>	<b>17%</b>	<b>40,200</b>	<b>39,498</b>	<b>98%</b>
<b>TOTAL GENERAL FUND</b>	<b>22,116,684</b>	<b>22,116,684</b>	<b>2,299,698</b>	<b>10%</b>	<b>2,621,083</b>	<b>(321,385)</b>	<b>-12%</b>



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FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>SPECIAL REVENUE FUNDS</b>							
<b><u>202 STREET MAINTENANCE</u></b>							
Gas Tax 2105 - 2107.5	736,100	736,100	55,175	7%	120,762	(65,587)	-54%
AB438 Traffic Cong.Relief		-	260,736	n/a		260,736	n/a
Reimbursement of Expenses	25,000	25,000	4,346	17%	175	4,171	2383%
Transfers In	750,000	750,000	125,000	17%	100,000	25,000	25%
Project Reimbursement	1,323,000	1,323,000		n/a		-	n/a
Interest / Other Revenue/Other Charges	28,540	28,540	1,076	4%	563	513	91%
<b>202 STREET MAINTENANCE</b>	<b>2,862,640</b>	<b>2,862,640</b>	<b>446,333</b>	<b>16%</b>	<b>221,500</b>	<b>224,833</b>	<b>102%</b>
<b><u>204/205 PUBLIC SAFETY TRUST</u></b>							
Interest Income	5,800	5,800	(9)	0%		(9)	n/a
Police Grant/SLEF	100,000	100,000		n/a		-	n/a
<b>204/205 PUBLIC SAFETY TRUST</b>	<b>105,800</b>	<b>105,800</b>	<b>(9)</b>	<b>0%</b>	<b>-</b>	<b>(9)</b>	<b>n/a</b>
<b><u>206 COMMUNITY DEVELOPMENT</u></b>							
Building Fees	1,858,337	1,858,337	409,835	22%	363,475	46,360	13%
Planning Fees	616,041	616,041	57,598	9%	96,035	(38,437)	-40%
Engineering Fees	807,046	807,046	350,348	43%	157,207	193,141	123%
Other Revenue/Current Charges	92,870	92,870	469	1%		469	n/a
Transfers	7,000	7,000	7,000	100%	152	6,848	4505%
<b>206 COMMUNITY DEVELOPMENT</b>	<b>3,381,294</b>	<b>3,381,294</b>	<b>825,250</b>	<b>24%</b>	<b>616,869</b>	<b>208,381</b>	<b>34%</b>
<b>207 GENERAL PLAN UPDATE</b>	<b>289,407</b>	<b>289,407</b>	<b>42,492</b>	<b>15%</b>	<b>28,924</b>	<b>13,568</b>	<b>47%</b>
<b><u>215 and 216 HCD BLOCK GRANT</u></b>							
HCD allocation	53,061	53,061		n/a		-	n/a
CIP Grants	300,549	300,549		n/a			n/a
Interest Income/Other Revenue	10,000	10,000	2,620	26%	26	2,594	9977%
<b>215 and 216 HCD BLOCK GRANT</b>	<b>363,610</b>	<b>363,610</b>	<b>2,620</b>	<b>1%</b>	<b>26</b>	<b>2,594</b>	<b>9977%</b>
<b>210 COMMUNITY CENTER</b>	<b>106,110</b>	<b>106,110</b>	<b>99</b>	<b>0%</b>		<b>99</b>	<b>n/a</b>
<b>225 ASSET SEIZURE</b>	<b>360</b>	<b>360</b>	<b>3</b>	<b>1%</b>		<b>3</b>	<b>n/a</b>
<b>229 LIGHTING AND LANDSCAPE</b>	<b>151,928</b>	<b>151,928</b>	<b>127</b>	<b>0%</b>		<b>127</b>	<b>n/a</b>
<b>232 ENVIRONMENTAL PROGRAMS</b>	<b>456,661</b>	<b>459,161</b>	<b>21,688</b>	<b>5%</b>	<b>18,842</b>	<b>2,846</b>	<b>15%</b>
<b>234 MOBILE HOME PARK RENT STAB.</b>	<b>12,180</b>	<b>12,180</b>	<b>(506)</b>	<b>-4%</b>		<b>(506)</b>	<b>n/a</b>
<b>235 SENIOR HOUSING</b>	<b>6,930</b>	<b>6,930</b>	<b>99</b>	<b>1%</b>		<b>99</b>	<b>n/a</b>
<b>236 HOUSING MITIGATION</b>	<b>282,230</b>	<b>282,230</b>	<b>16,057</b>	<b>6%</b>	<b>30,000</b>	<b>(13,943)</b>	<b>-46%</b>
<b>240 EMPLOYEE ASSISTANCE</b>	<b>38,360</b>	<b>38,360</b>	<b>4,210</b>	<b>11%</b>	<b>4,266</b>	<b>(56)</b>	<b>-1%</b>
<b>247 ENVIRONMENT REMEDIATION</b>	<b>22,000</b>	<b>22,000</b>	<b>220</b>	<b>1%</b>		<b>220</b>	<b>n/a</b>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>8,079,510</b>	<b>8,082,010</b>	<b>1,358,683</b>	<b>17%</b>	<b>920,427</b>	<b>438,256</b>	<b>48%</b>



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FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>CAPITAL PROJECTS FUNDS</b>							
301 PARK DEVELOPMENT	1,482,570	1,482,570	112,919	8%	120,787	(7,868)	-7%
302 PARK MAINTENANCE	622,588	622,588	3,981	1%	131,725	(127,744)	-97%
303 LOCAL DRAINAGE	494,920	494,920	134,898	27%	138,138	(3,240)	-2%
304 LOCAL DRAINAGE/NON AB1600	218,980	218,980	44,514	20%	60,000	(15,486)	-26%
306 OPEN SPACE	61,630	61,630	180,248	292%	79,522	100,726	127%
309 TRAFFIC MITIGATION	1,108,800	1,108,800	107,041	10%	491,408	(384,367)	-78%
311 POLICE MITIGATION	98,110	98,110	56,468	58%	8,607	47,861	556%
313 FIRE MITIGATION	198,820	198,820	19,955	10%	12,858	7,097	55%
<b>317 RDA CAPITAL PROJECTS</b>							
Property Taxes & Supplemental Roll	20,623,665	20,623,665		n/a	231,367	(231,367)	-100%
Loan Proceeds		-		n/a		-	n/a
Interest Income, Rents	125,890	125,890	(514)	0%	2,189	(2,703)	-123%
Bond Proceeds		-		n/a		-	n/a
Other Agencies/Current Charges/Transfer	-	-		n/a	652,672	(652,672)	-100%
<b>317 RDA CAPITAL PROJECTS</b>	<b>20,749,555</b>	<b>20,749,555</b>	<b>(514)</b>	<b>0%</b>	<b>886,228</b>	<b>(886,742)</b>	<b>-100%</b>
<b>327/328 RDA L/M HOUSING</b>							
Property Taxes & Supplemental Roll	4,534,300	4,534,300		n/a	57,842	(57,842)	-100%
Interest Income, Rent	151,510	151,510	42,276	28%	2,325	39,951	1718%
Transfers/Other	13,353	13,353	1,453,829	na	1,852	1,451,977	78400%
<b>327/328 RDA L/M HOUSING</b>	<b>4,699,163</b>	<b>4,699,163</b>	<b>1,496,105</b>	<b>32%</b>	<b>62,019</b>	<b>1,434,086</b>	<b>2312%</b>
346 PUBLIC FACILITIES NON-AB1600	561,640	561,640	37,679	7%	281,383	(243,704)	-87%
347 PUBLIC FACILITIES	272,320	272,320	136,391	50%	15,008	121,383	809%
348 LIBRARY	3,779,900	3,779,900	15,328	0%	8,096	7,232	89%
350 UNDERGROUNDING	75,680	75,680	(1,791)	-2%	76	(1,867)	-2457%
340/342 MH BUS.RANCH CIP I & II	1,020	1,020	10	1%		10	n/a
360 COMMUNITY/REC IMPACT FUND	77,490	77,490	8,332	11%	10,064	(1,732)	-17%
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>34,503,186</b>	<b>34,503,186</b>	<b>2,351,564</b>	<b>7%</b>	<b>2,305,919</b>	<b>45,645</b>	<b>2%</b>
<b>DEBT SERVICE FUNDS</b>							
441 POLICE FACILITY BOND	447,473	447,473	238,371	53%	334,095	(95,724)	-29%
545 COCHRANE BUSINESS PARK	188,768	188,768	270	0%		270	n/a
551 JOLEEN WAY	32,200	32,200	36	0%		36	n/a
<b>TOTAL DEBT SERVICE FUNDS</b>	<b>668,441</b>	<b>668,441</b>	<b>238,677</b>	<b>36%</b>	<b>334,095</b>	<b>(95,418)</b>	<b>-29%</b>



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<b>ENTERPRISE FUNDS</b>							
<b>640 SEWER OPERATION</b>							
Sewer Service Fees	5,320,000	5,320,000	959,415	18%	920,947	38,468	4%
Interest Income/Transfers	1,567,750	1,567,750	295,340	19%	43,765	251,575	575%
Other Revenue/Current Charges	113,268	113,268	32,231	28%	18,926	13,305	70%
<b>640 SEWER OPERATION</b>	<b>7,001,018</b>	<b>7,001,018</b>	<b>1,286,986</b>	<b>18%</b>	<b>983,638</b>	<b>303,348</b>	<b>31%</b>
<b>641 SEWER EXPANSION</b>							
Interest Income	162,880	162,880	2,558	2%		2,558	n/a
Connection Fees	1,756,500	1,756,500	192,333	11%	401,771	(209,438)	-52%
Other	-	-	132	n/a	214	(82)	-38%
<b>641 SEWER EXPANSION</b>	<b>1,919,380</b>	<b>1,919,380</b>	<b>195,023</b>	<b>10%</b>	<b>401,985</b>	<b>(206,962)</b>	<b>-51%</b>
<b>642 SEWER RATE STABILIZATION</b>	<b>181,610</b>	<b>181,610</b>	<b>1,773</b>	<b>1%</b>		<b>1,773</b>	<b>n/a</b>
<b>643 SEWER-CAPITAL PROJECT</b>	<b>53,150</b>	<b>53,150</b>	<b>384</b>	<b>1%</b>		<b>384</b>	<b>n/a</b>
<b>TOTAL SEWER FUNDS</b>	<b>9,155,158</b>	<b>9,155,158</b>	<b>1,484,166</b>	<b>16%</b>	<b>1,385,623</b>	<b>98,543</b>	<b>7%</b>
<b>650 WATER OPERATION</b>							
Water Sales	6,511,718	6,511,718	1,762,426	27%	1,704,709	57,717	3%
Meter Install & Service	60,000	60,000	16,413	27%	23,064	(6,651)	-29%
Transfers-In / Interest Income	386,060	386,060	48,368	13%	38,465	9,903	26%
Other Revenue/Current Charges	1,323,166	1,323,166	345,970	26%	220,505	125,465	57%
<b>650 WATER OPERATION</b>	<b>8,280,944</b>	<b>8,280,944</b>	<b>2,173,177</b>	<b>26%</b>	<b>1,986,743</b>	<b>186,434</b>	<b>9%</b>
<b>651 WATER EXPANSION</b>							
Interest Income/Other Revenue/Transfer	48,790	48,790	1,937	4%	52	1,885	3625%
Water Connection Fees	381,400	381,400	70,213	18%	46,267	23,946	52%
<b>651 WATER EXPANSION</b>	<b>430,190</b>	<b>430,190</b>	<b>72,150</b>	<b>17%</b>	<b>46,319</b>	<b>25,831</b>	<b>56%</b>
<b>652 Water Rate Stabilization</b>	<b>438,420</b>	<b>438,420</b>	<b>67,196</b>	<b>15%</b>	<b>11,667</b>	<b>55,529</b>	<b>476%</b>
<b>653 Water Capital Project</b>	<b>23,670</b>	<b>23,670</b>	<b>165</b>	<b>1%</b>	<b>22</b>	<b>143</b>	<b>650%</b>
<b>TOTAL WATER FUNDS</b>	<b>9,173,224</b>	<b>9,173,224</b>	<b>2,312,688</b>	<b>25%</b>	<b>2,044,751</b>	<b>267,937</b>	<b>13%</b>
<b>TOTAL ENTERPRISE FUNDS</b>	<b>18,328,382</b>	<b>18,328,382</b>	<b>3,796,854</b>	<b>21%</b>	<b>3,430,374</b>	<b>366,480</b>	<b>11%</b>
<b>INTERNAL SERVICE FUNDS</b>							
<b>730 INFORMATION SERVICES</b>	<b>311,041</b>	<b>311,041</b>	<b>49,940</b>	<b>16%</b>	<b>42,367</b>	<b>7,573</b>	<b>18%</b>
<b>740 BUILDING MAINTENANCE SERVICES</b>	<b>1,961,285</b>	<b>1,961,285</b>	<b>322,502</b>	<b>16%</b>	<b>277,746</b>	<b>44,756</b>	<b>16%</b>
<b>741 BUILDING REPLACEMENT FUND</b>	<b>383,725</b>	<b>383,725</b>	<b>56,922</b>	<b>15%</b>	<b>163,804</b>	<b>(106,882)</b>	<b>-65%</b>
<b>745 CIP ADMINISTRATION</b>	<b>1,337,340</b>	<b>1,337,340</b>	<b>198,987</b>	<b>15%</b>		<b>198,987</b>	<b>n/a</b>
<b>760 UNEMPLOYMENT INSURANCE</b>	<b>48,674</b>	<b>48,674</b>		<b>n/a</b>		<b>-</b>	<b>n/a</b>
<b>770 WORKERS COMPENSATION</b>	<b>782,780</b>	<b>782,780</b>	<b>163,973</b>	<b>21%</b>	<b>164,111</b>	<b>(138)</b>	<b>0%</b>
<b>790 EQUIPMENT REPLACEMENT</b>	<b>585,361</b>	<b>585,361</b>	<b>78,637</b>	<b>13%</b>	<b>70,548</b>	<b>8,089</b>	<b>11%</b>
<b>793 CORPORATION YARD COMMISSION</b>				<b>n/a</b>		<b>-</b>	<b>n/a</b>
<b>795 GENERAL LIABILITY INSURANCE</b>	<b>458,652</b>	<b>458,652</b>	<b>422,940</b>	<b>92%</b>	<b>104,168</b>	<b>318,772</b>	<b>306%</b>
<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>5,868,858</b>	<b>5,868,858</b>	<b>1,293,901</b>	<b>22%</b>	<b>822,744</b>	<b>471,157</b>	<b>57%</b>



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FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>AGENCY FUNDS</b>							
843 M.H. BUS.RANCH 1998	885,483	885,483	7,972	1%	1,737	6,235	359%
844,842,841 M.H. RANCH REFUNDING 2004	609,286	609,286	5,549	1%	906	4,643	512%
845,846 MADRONE BP-A/B	873,667	873,667	68,204	8%	2,682	65,522	2443%
848 TENNANT AVE.BUS.PK A.D.	19,520	19,520	184	1%		184	n/a
881 POLICE DONATION TRUST FUND	750	750	8	1%		8	n/a
<b>TOTAL AGENCY FUNDS</b>	<b>2,388,706</b>	<b>2,388,706</b>	<b>81,917</b>	<b>3%</b>	<b>5,325</b>	<b>76,592</b>	<b>1438%</b>
<b>TOTAL FOR ALL FUNDS</b>	<b>91,953,767</b>	<b>91,956,267</b>	<b>11,421,294</b>	<b>12%</b>	<b>10,439,967</b>	<b>753,347</b>	<b>7%</b>



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FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
<b>010 GENERAL FUND</b>								
<b>I. GENERAL GOVERNMENT</b>								
	<b>COUNCIL AND MISCELLANEOUS GOVT.</b>							
	City Council	14,198	199,285	30,464	500	30,964	16%	11,848
	Community Promotions	(2,144)	71,563	27,565	-	27,565	39%	1,140
	<b>COUNCIL AND MISCELLANEOUS GOVT.</b>	<b>12,054</b>	<b>270,848</b>	<b>58,029</b>	<b>500</b>	<b>58,529</b>	<b>22%</b>	<b>12,988</b>
	<b>CITY ATTORNEY</b>	<b>31,572</b>	<b>729,976</b>	<b>55,382</b>	<b>260,812</b>	<b>316,194</b>	<b>43%</b>	<b>36,036</b>
	<b>CITY MANAGER</b>							
	City Manager	19,341	363,631	47,016		47,016	13%	25,756
	Cable Television	4,550	40,988	5,484	15,594	21,078	51%	873
	Communications & Marketing	4,176	151,855	8,085	13,162	21,247	14%	7,729
	<b>CITY MANAGER</b>	<b>28,067</b>	<b>556,474</b>	<b>60,585</b>	<b>28,756</b>	<b>89,341</b>	<b>16%</b>	<b>34,358</b>
	<b>RECREATION</b>							
	Recreation	33,192	449,421	56,676		56,676	13%	10,636
	Community & Cultural Center	97,728	1,200,303	192,415	119,022	311,437	26%	123,825
	Centennial Recreation Center	44,634	1,729,353	86,699	717,635	804,334	47%	78
	Aquatics Center	214,379	1,558,864	455,061	7,853	462,914	30%	228,805
	<b>RECREATION</b>	<b>389,933</b>	<b>4,937,941</b>	<b>790,851</b>	<b>844,510</b>	<b>1,635,361</b>	<b>33%</b>	<b>363,344</b>
	<b>HUMAN RESOURCES</b>							
	Human Resources	34,909	511,411	67,534	5,000	72,534	14%	33,940
	<b>HUMAN RESOURCES</b>	<b>34,909</b>	<b>511,411</b>	<b>67,534</b>	<b>5,000</b>	<b>72,534</b>	<b>14%</b>	<b>33,940</b>
	<b>COUNCIL SERV &amp; RECORDS MGMT</b>							
	Council Serv & Records Mgmt	18,550	288,962	43,106	3,045	46,151	16%	18,672
	Elections	3,499	166,630	7,184	-	7,184	4%	3,444
	<b>CITY CLERK</b>	<b>22,049</b>	<b>455,592</b>	<b>50,290</b>	<b>3,045</b>	<b>53,335</b>	<b>12%</b>	<b>22,116</b>
	<b>FINANCE</b>	<b>75,084</b>	<b>999,542</b>	<b>144,608</b>	<b>14,034</b>	<b>158,642</b>	<b>16%</b>	<b>79,174</b>
	<b>TOTAL GENERAL GOVERNMENT</b>	<b>593,668</b>	<b>8,461,784</b>	<b>1,227,279</b>	<b>1,156,657</b>	<b>2,383,936</b>	<b>28%</b>	<b>581,956</b>
<b>II. PUBLIC SAFETY</b>								
	<b>POLICE</b>							
	PD Administration	27,414	781,411	187,091	3,745	190,836	24%	56,170
	Field Operations	379,883	4,455,755	734,807	56,784	791,591	18%	378,085
	Support Services	97,168	1,202,248	167,942	16,000	183,942	15%	70,986
	Emergency Services/Haz Mat	6,133	96,548	9,078		9,078	9%	220
	Special Operations	163,638	1,525,175	283,068	3,716	286,784	19%	72,085
	Animal Control	9,563	97,499	15,715		15,715	16%	6,935
	Dispatch Services	79,483	1,068,911	155,888		155,888	15%	62,729
	<b>POLICE</b>	<b>763,282</b>	<b>9,227,547</b>	<b>1,553,589</b>	<b>80,245</b>	<b>1,633,834</b>	<b>18%</b>	<b>647,210</b>
	<b>FIRE</b>	<b>364,295</b>	<b>4,579,375</b>	<b>728,591</b>	<b>1,973</b>	<b>730,564</b>	<b>16%</b>	<b>349,650</b>
	<b>TOTAL PUBLIC SAFETY</b>	<b>1,127,577</b>	<b>13,806,922</b>	<b>2,282,180</b>	<b>82,218</b>	<b>2,364,398</b>	<b>17%</b>	<b>996,860</b>
<b>III. COMMUNITY IMPROVEMENT</b>								
	<b>PARK MAINTENANCE</b>	<b>54,480</b>	<b>751,639</b>	<b>77,631</b>	<b>11,240</b>	<b>88,871</b>	<b>12%</b>	<b>61,404</b>
	<b>TOTAL COMMUNITY IMPROVEMENT</b>	<b>54,480</b>	<b>751,639</b>	<b>77,631</b>	<b>11,240</b>	<b>88,871</b>	<b>12%</b>	<b>61,404</b>



City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2006/07  
For the Month of August 2006  
17% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
<b>IV. TRANSFERS</b>								
	General Plan Update	833	10,000	1,667	-	1,667	17%	833
	Other		107,000	7,000		7,000	7%	
	<b>TOTAL TRANSFERS</b>	<b>833</b>	<b>117,000</b>	<b>8,667</b>	<b>-</b>	<b>8,667</b>	<b>7%</b>	<b>833</b>
<b>TOTAL GENERAL FUND</b>		<b>1,776,558</b>	<b>23,137,345</b>	<b>3,595,757</b>	<b>1,250,115</b>	<b>4,845,872</b>	<b>21%</b>	<b>1,641,053</b>
<b>SPECIAL REVENUE FUNDS</b>								
<b>202 STREET MAINTENANCE</b>								
	Street Maintenance/Traffic	88,881	1,797,732	167,414	217,494	384,908	21%	115,702
	Congestion Management	5,671	97,516	9,756		9,756	10%	3,471
	Street CIP	14,857	4,054,363	24,278	1,536,476	1,560,754	38%	40,898
	<b>202 STREET MAINTENANCE</b>	<b>109,409</b>	<b>5,949,611</b>	<b>201,448</b>	<b>1,753,970</b>	<b>1,955,418</b>	<b>33%</b>	<b>160,071</b>
204/205	<b>PUBLIC SAFETY/SUPP.LAW</b>	<b>14,655</b>	<b>175,861</b>	<b>29,310</b>		<b>29,310</b>	<b>17%</b>	<b>14,627</b>
<b>206 COMMUNITY DEVELOPMENT FUND</b>								
	Planning	91,328	1,320,941	185,650	89,306	274,956	21%	83,870
	Building	93,481	1,270,806	160,808	26,614	187,422	15%	70,769
	PW-Engineering	58,312	1,123,820	117,125	223,899	341,024	30%	89,763
	<b>206 COMMUNITY DEVELOPMENT FUND</b>	<b>243,121</b>	<b>3,715,567</b>	<b>463,583</b>	<b>339,819</b>	<b>803,402</b>	<b>22%</b>	<b>244,402</b>
207	<b>GENERAL PLAN UPDATE</b>	<b>4,239</b>	<b>177,415</b>	<b>7,022</b>	<b>53,798</b>	<b>60,820</b>	<b>34%</b>	<b>6,307</b>
210	<b>COMMUNITY CENTER</b>		<b>110,000</b>	<b>18,333</b>		<b>18,333</b>	<b>17%</b>	
215/216	<b>CDBG</b>	<b>2,408</b>	<b>508,351</b>	<b>3,658</b>	<b>59,760</b>	<b>63,418</b>	<b>12%</b>	<b>2,351</b>
225	<b>ASSET SEIZURE</b>		-			-	n/a	
229	<b>LIGHTING AND LANDSCAPE</b>	<b>12,720</b>	<b>153,266</b>	<b>17,052</b>	<b>10,766</b>	<b>27,818</b>	<b>18%</b>	<b>11,675</b>
232	<b>ENVIRONMENT PROGRAMS</b>	<b>26,126</b>	<b>610,620</b>	<b>50,452</b>	<b>46,954</b>	<b>97,406</b>	<b>16%</b>	<b>19,605</b>
234	<b>MOBILE HOME PARK</b>	<b>47</b>	<b>4,069</b>	<b>95</b>		<b>95</b>	<b>2%</b>	<b>(87)</b>
235	<b>SENIOR HOUSING TRUST FUND</b>		<b>23,800</b>		-	-	n/a	
236	<b>HOUSING MITIGATION FUND</b>		<b>2,015,000</b>		-	-	n/a	
240	<b>EMPLOYEE ASSISTANCE</b>	<b>3,433</b>	<b>35,000</b>	<b>55,433</b>	-	<b>55,433</b>	<b>158%</b>	<b>3,200</b>
247	<b>ENVIRONMENT REMEDIATION FUND</b>		<b>52,351</b>		-	-	n/a	
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>416,158</b>	<b>13,530,911</b>	<b>846,386</b>	<b>2,265,067</b>	<b>3,111,453</b>	<b>23%</b>	<b>462,151</b>
<b>CAPITAL PROJECT FUNDS</b>								
301	<b>PARK DEVELOPMENT</b>	<b>19,592</b>	<b>5,904,578</b>	<b>26,275</b>	<b>402,843</b>	<b>429,118</b>	<b>7%</b>	<b>80,838</b>
302	<b>PARK MAINTENANCE</b>	<b>15,716</b>	<b>698,564</b>	<b>27,329</b>	-	<b>27,329</b>	<b>4%</b>	<b>833</b>
303	<b>LOCAL DRAINAGE</b>	<b>1,086</b>	<b>3,833,027</b>	<b>2,171</b>		<b>2,171</b>	<b>0%</b>	<b>128</b>
304	<b>LOCAL DRAIN. NON-AB1600</b>	<b>1,367</b>	<b>1,850,874</b>	<b>7,028</b>	<b>178,366</b>	<b>185,394</b>	<b>10%</b>	<b>13,970</b>
306	<b>OPEN SPACE</b>		<b>11,400</b>			-		
309	<b>TRAFFIC MITIGATION</b>	<b>221,982</b>	<b>2,683,297</b>	<b>250,080</b>	<b>739,392</b>	<b>989,472</b>	<b>37%</b>	<b>29,994</b>
311	<b>POLICE MITIGATION</b>		<b>139,234</b>	<b>122,683</b>		<b>122,683</b>	<b>88%</b>	<b>494</b>
313	<b>FIRE MITIGATION</b>	<b>101</b>	<b>526,210</b>	<b>202</b>		<b>202</b>	<b>0%</b>	<b>115</b>
317	<b>RDA BUSINESS ASSISTANCE</b>	<b>2,248,060</b>	<b>39,029,392</b>	<b>2,413,213</b>	<b>14,788,585</b>	<b>17,201,798</b>	<b>44%</b>	<b>2,028,265</b>
327/328	<b>RDA HOUSING</b>	<b>3,838,299</b>	<b>10,612,964</b>	<b>3,982,246</b>	<b>120,432</b>	<b>4,102,678</b>	<b>39%</b>	<b>1,321,990</b>
340/342	<b>MH BUS RANCH CIP</b>					-	n/a	
346	<b>PUBLIC FAC.NON AB1600</b>	<b>118,610</b>	<b>334,000</b>	<b>118,610</b>	<b>43,638</b>	<b>162,248</b>	<b>49%</b>	<b>1,555</b>
347	<b>PUBLIC FACILITIES</b>	<b>29</b>	<b>281,354</b>	<b>59</b>		<b>59</b>	<b>0%</b>	<b>114</b>
348	<b>LIBRARY IMPACT</b>	<b>30</b>	<b>4,220,776</b>	<b>59</b>	<b>620,421</b>	<b>620,480</b>	<b>15%</b>	<b>17</b>
350	<b>UNDERGROUNDING</b>	<b>10,271</b>	<b>200,342</b>	<b>22,777</b>	<b>143,806</b>	<b>166,583</b>	<b>83%</b>	<b>657</b>
360	<b>COMM/REC CTR IMPACT</b>	<b>1,075</b>	<b>100,000</b>	<b>2,166</b>		<b>2,166</b>	<b>2%</b>	
<b>TOTAL CAPITAL PROJECTS FUNDS</b>		<b>6,476,218</b>	<b>70,426,012</b>	<b>6,974,898</b>	<b>17,037,483</b>	<b>24,012,381</b>	<b>34%</b>	<b>3,478,970</b>



City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2006/07  
For the Month of August 2006  
17% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
<b>DEBT SERVICE FUNDS</b>								
441	POLICE FACILITY BOND DEBT	42	451,013	295,649	-	295,649	66%	
545	COCHRANE BUS. PARK A.D.	150,648	182,194	150,886	-	150,886	83%	561
551	JOLEEN WAY A.D.	41	32,244	227	-	227	1%	561
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>150,731</b>	<b>665,451</b>	<b>446,762</b>	<b>-</b>	<b>446,762</b>	<b>67%</b>	<b>1,122</b>
<b>ENTERPRISE FUNDS</b>								
<b>SEWER</b>								
640	SEWER OPERATION	410,824	6,701,993	2,238,012	74,943	2,312,955	35%	625,452
641	CAPITAL EXPANSION	5,146	7,797,509	10,025	138,572	148,597	2%	204,816
642	SEWER RATE STABILIZATION	125,068	1,500,814	250,136		250,136	17%	176
643	SEWER-CAPITAL PROJECTS	1,546	345,155	5,357	59,346	64,703	19%	68,495
<b>TOTAL SEWER FUND(S)</b>		<b>542,584</b>	<b>16,345,471</b>	<b>2,503,530</b>	<b>272,861</b>	<b>2,776,391</b>	<b>17%</b>	<b>898,939</b>
<b>WATER</b>								
	Water Operations Division	721,151	7,330,297	1,003,094	639,562	1,642,656	22%	591,111
	Meter Reading/Repair	33,398	932,728	79,043	447,051	526,094	56%	36,232
	Utility Billing	34,049	528,360	74,042	22,530	96,572	18%	36,507
	Water Conservation	7,011	201,865	13,593	50,000	63,593	32%	3,801
650	WATER OPERATIONS	795,609	8,993,250	1,169,772	1,159,143	2,328,915	26%	667,651
651	CAPITAL EXPANSION	33,618	2,239,103	34,699	152,463	187,162	8%	54,867
652	WATER RATE STABILIZATION	24	292	49		49	17%	41
653	WATER-CAPITAL PROJECTS	18,007	1,190,379	37,632	83,575	121,207	10%	125,710
<b>TOTAL WATER FUND(S)</b>		<b>847,258</b>	<b>12,423,024</b>	<b>1,242,152</b>	<b>1,395,181</b>	<b>2,637,333</b>	<b>21%</b>	<b>848,269</b>
<b>TOTAL ENTERPRISE FUNDS</b>		<b>1,389,842</b>	<b>28,768,495</b>	<b>3,745,682</b>	<b>1,668,042</b>	<b>5,413,724</b>	<b>19%</b>	<b>1,747,208</b>
<b>INTERNAL SERVICE FUNDS</b>								
730	INFORMATION SERVICES	11,263	369,760	21,860	65,027	86,887	23%	24,137
740	BUILDING MAINTENANCE	147,064	1,980,331	474,343	38,195	512,538	26%	121,681
741	BUILDING REPLACEMENT		12,000			-	n/a	
745	CIP ENGINEERING	94,897	1,444,683	192,908	59,308	252,216	17%	99,816
760	UNEMPLOYMENT		44,445			-	n/a	
770	WORKERS COMPENSATION	18,874	508,700	155,588		155,588	31%	19,779
790	EQUIPMENT REPLACEMENT	51,171	819,678	52,171	133,283	185,454	23%	345
793	CORP YARD COMMISSION	12,639	170,768	15,392	2,440	17,832	10%	6,537
795	GEN. LIABILITY INSURANCE	789	420,800	320,427		320,427	76%	513
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>336,697</b>	<b>5,771,165</b>	<b>1,232,689</b>	<b>298,253</b>	<b>1,530,942</b>	<b>27%</b>	<b>272,808</b>
<b>AGENCY FUNDS</b>								
843	MORGAN HILL BUS RANCH 98	598,992	861,128	599,560		599,560	70%	6,061
844/841/842	MH RANCH RSMNT 2004A	685	575,204	1,559	-	1,559	0%	526,321
845/846	MADRONE BP A/B	7,079	739,453	61,483	-	61,483	8%	297,379
848	TENNANT AVE BUS PARK AD	53,454	106,069	84	-	84	0%	560
881	POLICE DONATION TRUST	42	506	-	-	-		-
<b>TOTAL AGENCY FUNDS</b>		<b>660,252</b>	<b>2,282,360</b>	<b>662,686</b>	<b>-</b>	<b>662,686</b>	<b>29%</b>	<b>830,321</b>
<b>REPORT TOTAL</b>		<b>11,206,456</b>	<b>144,581,739</b>	<b>17,504,860</b>	<b>22,518,960</b>	<b>40,023,820</b>	<b>28%</b>	<b>8,433,633</b>





City of Morgan Hill  
Enterprise Funds Report - Fiscal Year 2006/07  
For the Month of August 2006  
17% of Year Completed

YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations				Water Operations			
	Budget	YTD	% of Budget	Prior YTD	Budget	YTD	% of Budget	Prior YTD
<b>Operations</b>								
<b>Revenues</b>								
Service Charges	\$ 5,320,000	\$ 959,415	18%	\$ 920,947	\$ 6,511,718	\$ 1,762,426	27%	\$ 1,704,709
Meter Install & Service					60,000	16,413	27%	23,064
Other	113,268	32,231	28%	18,926	1,237,024	345,970	28%	220,505
<b>Total Operating Revenues</b>	<b>5,433,268</b>	<b>991,646</b>	<b>18%</b>	<b>939,873</b>	<b>7,808,742</b>	<b>2,124,809</b>	<b>27%</b>	<b>1,948,278</b>
<b>Expenses</b>								
Operations	4,625,367	734,365	16%	699,070	5,968,477	864,661	14%	675,189
Meter Reading/Repair					932,728	79,043	8%	68,091
Utility Billing/Water Conservation					730,225	87,635	12%	80,420
<b>Total Operating Expenses</b>	<b>4,625,367</b>	<b>734,365</b>	<b>16%</b>	<b>699,070</b>	<b>7,631,430</b>	<b>1,031,339</b>	<b>14%</b>	<b>823,700</b>
<b>Operating Income (Loss)</b>	<b>807,901</b>	<b>257,281</b>		<b>240,803</b>	<b>177,312</b>	<b>1,093,470</b>		<b>1,124,578</b>
<b>Nonoperating revenue (expense)</b>								
Interest Income	67,750	295,340	436%	43,765	241,714	4,338	2%	50
Interest Expense/Debt Services	(545,010)	(402,544)	74%	(282,806)	(246,796)			
Principal Expense/Debt Services	(1,015,000)	(1,015,000)	100%	(995,000)	(284,424)			
<b>Total Nonoperating revenue (expense)</b>	<b>(1,492,260)</b>	<b>(1,122,204)</b>		<b>(1,234,041)</b>	<b>(289,506)</b>	<b>4,338</b>		<b>50</b>
Income before operating xfers	(684,359)	(864,923)		(993,238)	(112,194)	1,097,808		1,124,628
Operating transfers in	1,500,000	-		-	230,488	44,030	19%	38,415
Operating transfers (out)	(516,616)	(86,103)	17%	(80,281)	(830,600)	(138,433)	17%	(83,333)
<b>Net Income (Loss)</b>	<b>\$ 299,025</b>	<b>\$ (951,026)</b>		<b>\$ (1,073,519)</b>	<b>\$ (712,306)</b>	<b>\$ 1,003,405</b>		<b>\$ 1,079,710</b>



**City of Morgan Hill**  
**Balance Sheets - Water and Sewer Funds**  
**For the Month of August 2006**  
**17% of Year Completed**

	<b>Sewer Operations (640)</b>	<b>Sewer Expansion Stabilization Capital Projects (641-643)</b>	<b>Water Operations (650)</b>	<b>Water Expansion Stabilization Capital Projects (651-653)</b>
<b>ASSETS</b>				
<b>Cash and investments:</b>				
<b>Unrestricted</b>	526,923	6,074,583	3,783,804	2,622,668
<b>Restricted <sup>1</sup></b>	1,896,984	6,853,172	392,928	3,194,820
<b>Accounts Receivable</b>		8,177		588
<b>Utility Receivables</b>	455,292		627,171	
<b>Less Allowance for Doubtful Accounts</b>	(3,939)		(9,424)	
<b>Notes Receivable <sup>2</sup></b>		30,975	0	
<b>Fixed Assets <sup>3</sup></b>	28,674,457	12,497,964	23,728,806	12,694,521
<b>Total Assets</b>	<u>31,549,717</u>	<u>25,464,871</u>	<u>28,523,286</u>	<u>18,512,597</u>
<b>LIABILITIES</b>				
<b>Accounts Payable and Accrued Liabilities</b>	268,368	275,103	99,337	29,260
<b>Deposits for Water Services &amp; Other Deposits</b>			87,084	
<b>Deferred Revenue <sup>4</sup></b>				
<b>Bonds Payable</b>	22,305,000		5,293,115	7,740,000
<b>Discount on Bonds and Other Liabilities</b>	(2,286,267)		(848,672)	(332,970)
<b>Accrued Vacation and Comp Time</b>	77,940		138,999	
<b>Total liabilities</b>	<u>20,365,041</u>	<u>275,103</u>	<u>4,769,863</u>	<u>7,436,290</u>
<b>FUND EQUITY</b>				
<b>Contributed Capital</b>	7,443,305		14,356,292	
<b>Retained Earnings</b>				
<b>Reserved for:</b>				
<b>Noncurrent water/sewer assets &amp; debt</b>	8,577,784	12,497,964	19,145,364	5,287,491
<b>Encumbrances</b>	74,943	197,918	1,159,143	236,038
<b>Notes Receivable</b>		30,975		
<b>Restricted Cash</b>	1,896,984		392,928	3,194,820
<b>Total Reserved Retained Earnings</b>	10,549,711	12,726,857	20,697,435	8,718,349
<b>Unreserved Retained Earnings</b>	634,965	12,462,911	3,055,987	2,357,958
<b>Total Fund Equity</b>	<u>11,184,676</u>	<u>25,189,768</u>	<u>23,753,423</u>	<u>11,076,307</u>
<b>Total Liabilities and Fund Equity</b>	<u>31,549,717</u>	<u>25,464,871</u>	<u>28,523,286</u>	<u>18,512,597</u>

<sup>1</sup> Restricted for Bond Reserve requirements and capital expansion.

<sup>2</sup> Includes Note for Sewer Financing Agreements.

<sup>3</sup> Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

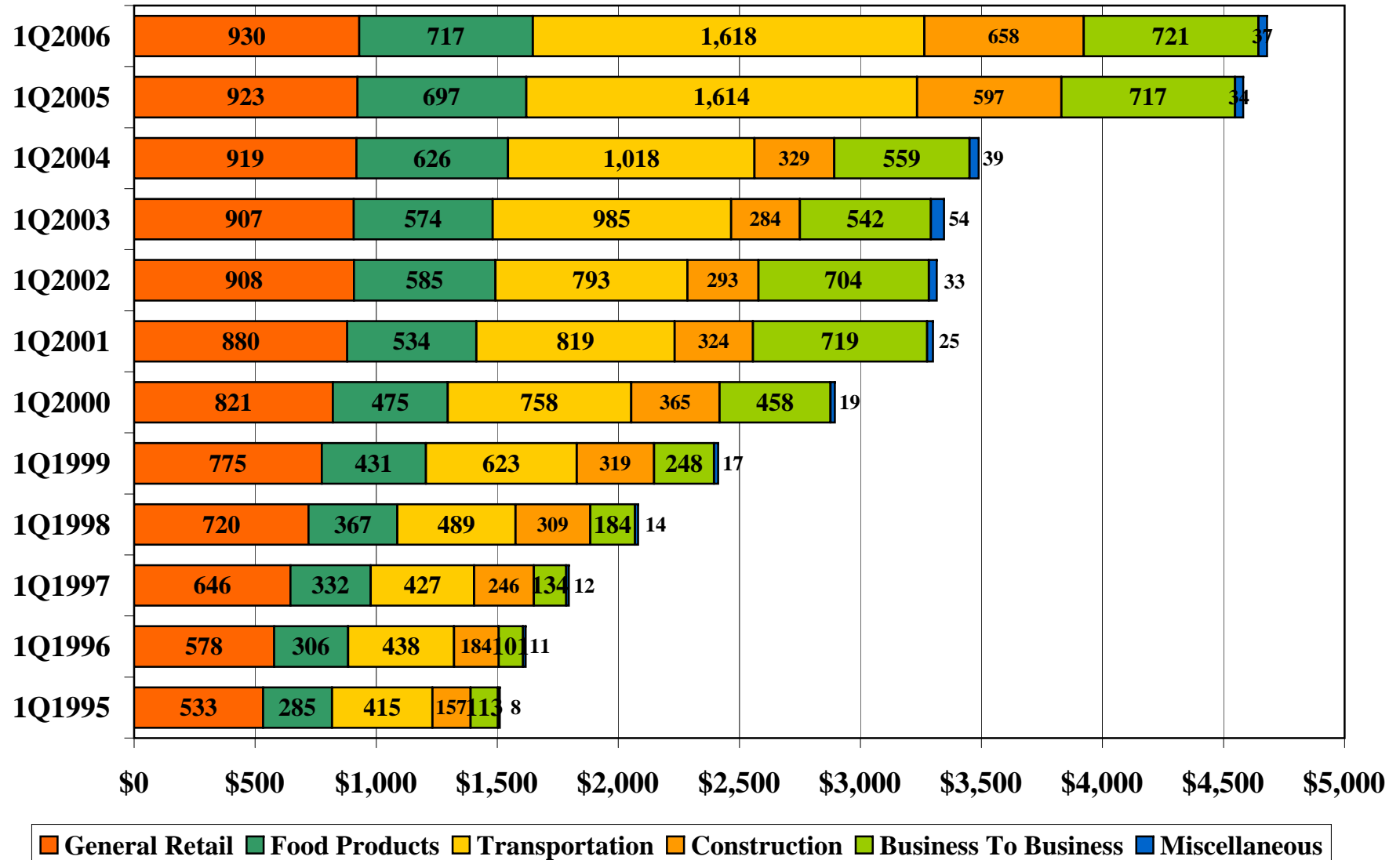
<sup>4</sup> Includes the deferred payment portion of the loans noted above.



<sup>1</sup> Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.  
<sup>2</sup> Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.  
<sup>3</sup> Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.  
<sup>4</sup> Includes the deferred payment portion of the loans noted above.  
<sup>5</sup> Designated as a general reserve.

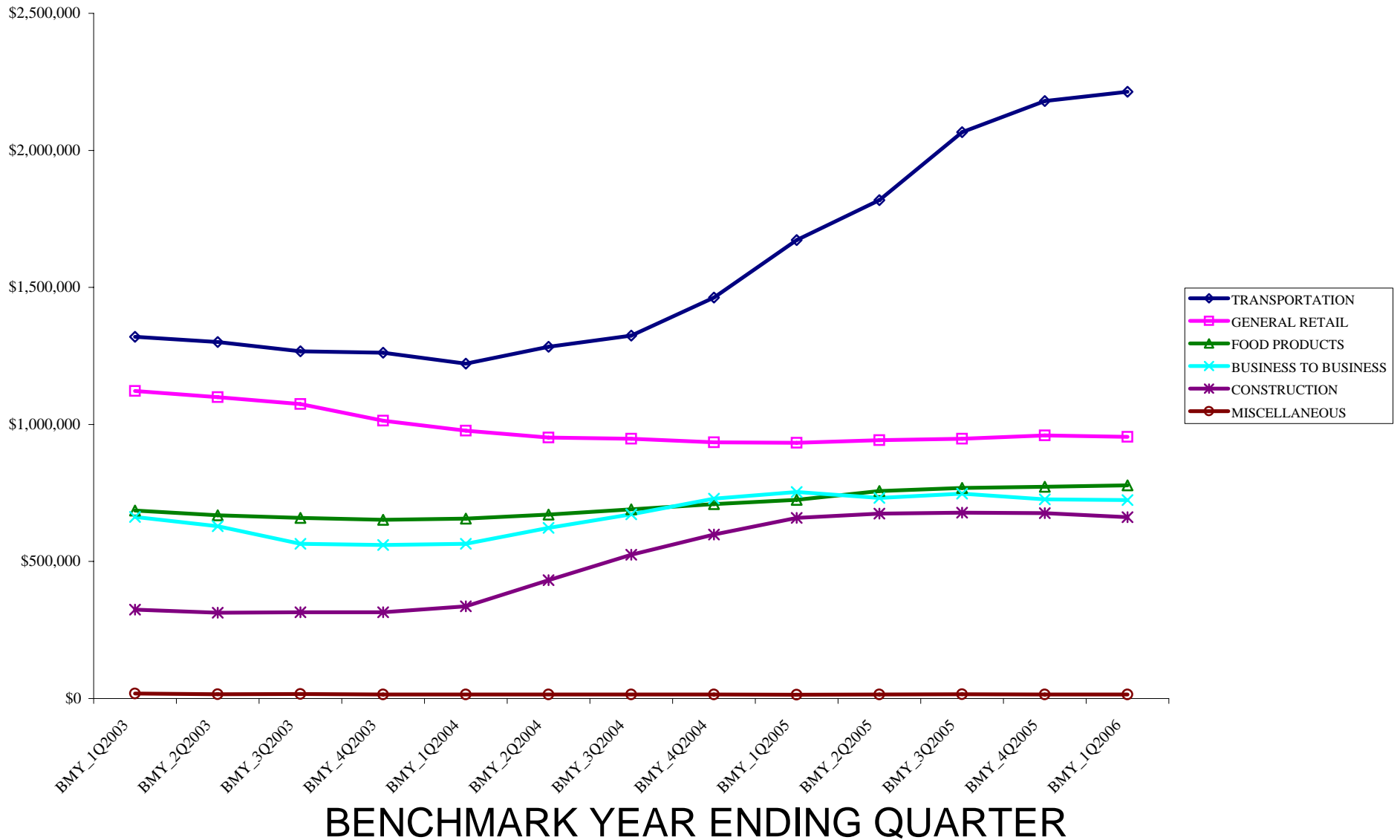
# CITY OF MORGAN HILL ANNUAL SALES TAX BY BUSINESS CATEGORY

(in thousands of \$)



# CITY OF MORGAN HILL

## SALES TAX BY ECONOMIC CATEGORY



## Sales Tax Revenue Analysis

### Quarterly Sales Tax Revenues

Year	Q1	Q2	Q3	Q4	Total
<b>2006</b>	<b>1,480,873</b>				
2005	1,352,902	1,503,903	1,748,750	1,669,406	6,274,961
2004	1,008,820	1,303,824	1,288,347	1,471,834	5,072,825
2003	1,152,258	1,045,369	1,064,072	1,075,630	4,337,329
2002	1,066,129	1,224,131	1,172,571	1,158,608	4,621,439
2001	1,348,773	1,357,056	1,274,566	1,267,347	5,247,742
2000	1,139,868	1,285,566	1,250,633	1,408,160	5,084,227
1999	921,597	1,080,386	1,117,296	1,177,610	4,296,889
1998	861,449	977,685	971,007	1,017,725	3,827,866
1997	787,430	861,780	913,292	1,009,943	3,572,445
1996	726,088	799,526	851,152	846,916	3,223,682
1995	644,959	720,072	736,824	769,415	2,871,270
1994	693,039	704,331	753,364	733,555	2,884,289
Average <sup>1</sup>	\$ 975,276	1,071,969	1,095,156	1,133,846	4,276,247
Avg \$ Growth <sup>1</sup>	\$ 59,988	72,688	90,490	85,077	308,243
Avg % Growth <sup>1</sup>	8.7%	10.3%	12.0%	11.6%	10.7%

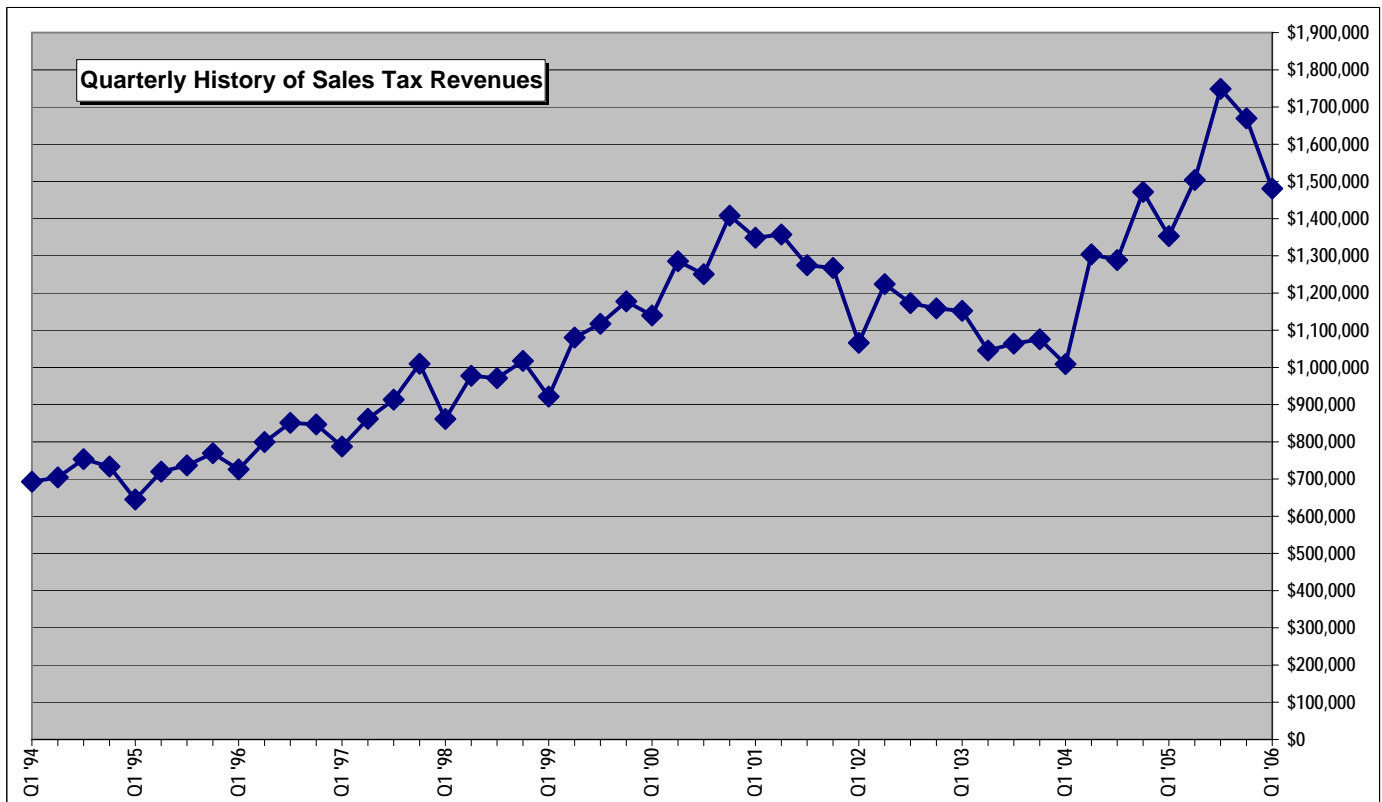
<sup>1</sup> Average from 1994 to 2005

### Percent Increase/Decrease from Prior Year

Year	Q1	Q2	Q3	Q4	Total
2005 to 06	9.5%				
2004 to 05	34.1%	15.3%	35.7%	13.4%	23.7%
2003 to 04	-12.4%	24.7%	21.1%	36.8%	17.0%
2002 to 03	8.1%	-14.6%	-9.3%	-7.2%	-6.1%
2001 to 02	-21.0%	-9.8%	-8.0%	-8.6%	-11.9%
2000 to 01	18.3%	5.6%	1.9%	-10.0%	3.2%
1999 to 00	23.7%	19.0%	11.9%	19.6%	18.3%
1998 to 99	7.0%	10.5%	15.1%	15.7%	12.3%
1997 to 98	9.4%	13.4%	6.3%	0.8%	7.1%
1996 to 97	8.4%	7.8%	7.3%	19.2%	10.8%
1995 to 96	12.6%	11.0%	15.5%	10.1%	12.3%
1994 to 95	-6.9%	2.2%	-2.2%	4.9%	-0.5%

### Cumulative Quarterly Sales Tax as % of Annual Total

Year	Q1	Q1-Q2	Q1-Q3	Q1-Q4
<b>2006</b>				
2005	21.6%	45.5%	73.4%	100.0%
2004	19.9%	45.6%	71.0%	100.0%
2003	26.6%	50.7%	75.2%	100.0%
2002	23.1%	49.6%	74.9%	100.0%
2001	25.7%	51.6%	75.8%	100.0%
2000	22.4%	47.7%	72.3%	100.0%
1999	21.4%	46.6%	72.6%	100.0%
1998	22.5%	48.0%	73.4%	100.0%
1997	22.0%	46.2%	71.7%	100.0%
1996	22.5%	47.3%	73.7%	100.0%
1995	22.5%	47.5%	73.2%	100.0%
1994	24.0%	48.4%	74.6%	100.0%
Average	22.9%	47.9%	73.5%	100.0%





## CITY COUNCIL STAFF REPORT

**MEETING DATE: SEPTEMBER 27, 2006**

### **AWARD OF CONTRACT FOR THE COMMUNITY PARK IMPROVEMENTS PROJECT PHASE I**

#### **RECOMMENDED ACTION(S):**

1. Award contract to Perma-Green Hydroseeding, Inc. for the construction of the Community Park Improvements Project Phase I in the amount of \$1,511,933.
2. Authorize expenditure of construction contingency funds not to exceed \$75,000.

Agenda Item # 2

Prepared By:

Deputy Director Public  
Work- Operations

Approved By:

Public Works Director

Submitted By:

Ci M

#### **EXECUTIVE SUMMARY:**

The scope of the work for this project includes the construction of four new tennis courts, rehabilitation of the four existing courts including drainage improvements, remodeling of the two existing group picnic areas, construction of a new restroom/concession building, and construction of a outdoor basketball court.

The bid opening was held on September 13, 2006. The bids received are as listed below. The award of bid is to be based on the base bid. The total bid award could potentially include 3 bid alternate items. Staff recommends inclusion of Bid Alternate A. Bid Alternate A includes trash receptacles, picnic tables, bicycle racks and a dual level barbeque.

The Engineer's Estimate for the Base Bid work was \$1,495,987.

<u>Contractor Name</u>	<u>Base Bid Amount</u>	<u>Bid Alternate A</u>	<u>Total</u>
Perma-Green Hydroseeding, Inc.	\$1,500,833	\$11,100	\$1,511,933
Robert A. Bothman, Inc.	1,617,187	10,550	1,627,737

Perma-Green Hydroseeding, Inc., has previously performed work for the City of Morgan Hill constructing the Wildlife Bike Trail Project adjacent to the Centennial Recreation Center. The result of this project has been favorable. In addition to our recent experience with Perma-Green Hydroseeding, staff performed a standard background check and received excellent referrals.

Staff recommends award of the contract to Perma-Green Hydroseeding at the base bid amount of \$1,500,833 plus bid alternate A for \$11,100 for a total bid award of \$1,511,933.

The project will begin construction in October 2006 and be completed in April of 2007.

**FISCAL/RESOURCE IMPACT:** This project is funded under CIP project #120001 using Park Impact Funds (AB 1600) and two State Department of Recreation Grants. The total funds remaining to date are \$1,708,000. This is sufficient for the Base Bid award including Bid Alternate A, a 5% contingency (\$75,000) and construction administration and inspection expenses of \$121,000.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: SEPTEMBER 27, 2006***

**TITLE: PERFORMANCE MEASURE UPDATE –  
FOURTH QUARTER FY 2005/06**

**RECOMMENDED ACTION:**  
**Receive and file**

### **EXECUTIVE SUMMARY:**

With the inclusion of performance measures, the City's adopted FY 2005/06 Operating and Capital Budget continued to receive the prestigious Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award.

The City started implementing performance measures in the FY 2002/03 Operating and Capital Budget, and on a quarterly basis, staff has been presenting Performance Measure Updates to the City Council. Attachment A is the update for the fourth quarter of FY 2005/06.

### **FISCAL IMPACT:**

None.

**Agenda Item # 3**

**Prepared By:**

*[Signature]*

**Budget Manager**

**Approved By:**

**Finance Director**

**Submitted By:**

**City Manager**



6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
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[010-1100] CITY COUNCIL				Responsibility: City Clerk's Office
Council/Redevelopment Agency Meeting Minutes produced	60	44	46	
Time required to draft, proof and edit Minutes for every 1-hour of meeting time	1.5 hours	1.75 hours	1.75 hours	
Total time to produce minutes	425 hours	354 hours	325 hours	
Percentage of Minutes completed without errors of fact	93%	98%	96%	
Percent of Minutes completed within 2 weeks	100%	100%	100%	

[010-1220] COMMUNITY PROMOTIONS				Responsibility: City Clerk's Office
Proclamations Produced	190	152	169	
Staff time to coordinate/draft requests for proclamations for Council members, staff and outside requests	1.5 hours	1.25 hours	1.25 hours	
Hours to produce all proclamations	285 hours	190 hours	211 hours	
Percentage of Proclamations completed for a particular meeting date, as requested	100%	100%	100%	

[010-2410] COUNCIL SERVICES & RECORDS MANAGEMENT				Responsibility: City Clerk's Office
Number of requests for public records	895	760	770	
Timeliness in responding/producing copies responsive to the records request within:				
1 day	86.7%	90.5%	89.6%	
10 days	11.8%	8.5%	8.7%	
10+ days	1.5%	1.0%	1.7%	

[010-2420] ELECTIONS DIVISION				Responsibility: City Clerk's Office
Number of Statement of Economic Interests filed and number of applications requested	105	130	141	
Percentage filed by deadline	100%	90%	90%	
Percentage filed late	0%	10%	10%	

6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
<b>[010-2100] CITY MANAGER</b>				Responsibility: City Manager's Office
Percentage of workplan projects, City-wide, that are completed within the planned time frame, recognizing that the schedule of some projects is beyond departmental control	40%	50%	74%	
Actual General Fund expenditures as a percentage of the current General Fund budget	93%	TBD	98%	
Level of City General Fund reserves as a proportion of adopted General Fund budget	68%	TBD	50%	

<b>[010-5145] COMMUNICATIONS AND MARKETING</b>				Responsibility: City Manager's Office
Pages of City Visions/City Connection produced	112	100		
Dollars (not inclusive of staffing) spent on producing City Visions/City Connection	\$35,952	\$30,503		
Dollars per page of City Visions produced and distributed	\$321	\$305		

<b>[010-2110] RECREATION DIVISION</b>				Responsibility: Recreation and Community Services Division
Cost per unit for operation of Community Center during primetime hours	\$275/hr	\$268/hr	\$253/hr	
Cost per unit for operation per set of group swim lessons	N/A	\$33/set		
Customer service rating for recreation and leisure classes and aquatics and fitness classes good or better	N/A	70%	82%	

<b>[010-2115] COMMUNITY AND CULTURAL CENTER</b>				Responsibility: Recreation and Community Services Division
Cost per unit for operation of Community Center during primetime hour	\$275	\$268	\$253	
Staff customer service rating of good or better	67%	72%	71%	
Recreation and leisure class enrollment	3,554	3,641	3,954	
Number of people serve at public events	59,602	30,892	41,229	
Number of paid room rentals	719	480	637	
Number of rooms reserved by City	337	156	284	
Cost recovery for the entire Community Center (including future building replacement costs)	70%	63%	65%	

6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
<b>[010-2120] AQUATICS CENTER</b>		Responsibility: Recreation and Community Services Division		
Cost per unit of operation of Aquatics Center per set of group swim lessons	N/A	\$33/set		
Customer service swim lessons ratings of good or better	N/A	70%	\$93	
Number of daily visitors			60,418	
Number of program participants			33,961	
Number of swim meets held			5	
Cost recovery of Aquatics Center (including future building replacement costs)	71%	78%	74%	

<b>[010-2200] HUMAN RESOURCES OFFICE</b>		Responsibility: Human Resources Department		
Cost of providing training to all employees per year	\$32,825	\$25,000	\$15,645	
Ratio of HR staff hours spent in training, communicating and consulting to the number of HR staff hours spent recruiting to fill vacant positions	2:6	2:6	2:6	
Average length of time to recruit/select new employee	74.8 hours	72.0 hours	71.3 hours	
Number of open recruitments each month	4 to 10	4 to 10	4 to 10	
Average number of training hours provided to employees	4.2	7.8	10.2	

<b>[770-8220] WORKERS COMPENSATION INSURANCE</b>		Responsibility: Human Resources Department		
Number of workers' compensation claims involving temporary disability benefits	8	5	5	
Number of lost work days caused by temporary disability	234	100	90.5	
Average length of time to bring an injured employee off temporary disability	23.4	14.25	9	
Workers' compensation claims expense	\$223,456	\$125,000	\$104,805	
Workers' compensation temporary disability (loss work days) expense	\$60,088	\$40,000	\$19,252	
Workers' compensation permanent partial disability expense	\$169,340	\$56,900	\$63,992	

<b>[010-2510] FINANCE</b>		Responsibility: Finance Department		
Number of invoices processed	11,253	13,794	13,484	

6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
% of invoices paid by due date	82%	77%	86%	
Average time to process an invoice	8.31 minutes	6.79 minutes	6.95 minutes	

[650-5750] UTILITY BILLING – SEWER & WATER				Responsibility: Finance Department
Staff hours per year processing utility bills	4,680	4,680	4,680	
Regular utility bills process per year	138,441	140,800	139,605	
Percent sent out error free	99.9%	99.9%	99.9%	
Average time to process a regular bill account	2.02 minutes	1.99 minutes		

[795-8210] GENERAL LIABILITY INSURANCE				Responsibility: Finance Department
Percent of claims responded to within the statutory time frame of 45 days, either through a rejection of the claim or through a proposed resolution.	95%	96%	97%	

[010-3205] POLICE ADMINISTRATION				Responsibility: Police Department
Percentage of formal citizens' complaints resolved within 45 days of receipt	50%	57%	43%	
Percentage of sworn personnel who receive 24 hours of Continued Proficiency Training	42%	77%	85%	
Percent of clearance of 2005 Part I violent crimes in M H compared to the National average	52%/49%	39%/49%	39%/49%	
Percent of clearance of 2005 Part I property crimes in M H compared to the National average	14%/19%	14%/19%	14%/19%	
Number of Department-wide meetings	N/A	3	4	

[010-3210] POLICE FIELD OPERATIONS				Responsibility: Police Department
Number of self initiated contacts compared to the number of calls for service	SI - 15,363 CFS – 25,668	SI –14,690 CFS – 17,530	SI-14,465 CFS-18,370	
Percent of Priority I calls responded to within 5 minutes of receipt	100%	100%	100%	
Address Traffic Hotline/Web complaints within 5 days of receipt	N/A	100%	100%	
Number of Operation Safe School enforcement details	N/A	1	1	
Number of traffic enforcement contacts	N/A	2,430	6,633	

6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
<b>[010-3225] POLICE SUPPORT SERVICES</b>				Responsibility: Police Department
Percent of arrests entered into CJIC within 48 business hours of arrest date	100%	60%	60%	
Number of new incident reports stored electronically	4,800	5,000	4,788	

<b>[010-3230] EMERGENCY SERVICES UNIT</b>				Responsibility: Police Department
Hours of preparedness training given to the community	176 hours	95	85	
Number of active Disaster Volunteers	N/A	80	105	
Number of emergency drills presented to City staff	3	1	1	
Number of sections of the disaster plan updated annually	2 new additions	New plan	New plan	

<b>[010-3245] POLICE SPECIAL OPERATIONS</b>				Responsibility: Police Department
Number of investigations assigned to Special Operations compared to the number of incidents submitted to the D.A.'s Office	230/75	170/60	192/59	
Number of Neighborhood Watch Programs presented	N/A	20	27	
Number of criminal incidents taken by SROs at schools	187	101	107	
Number of attempted service of felony warrants	N/A	50	45	
Percent of staff evaluations completed by the Sergeant on or before the due date	N/A	100%	50%	
Number of Special Events coordinated by the Sergeant	N/A	12	12	

<b>[010-5450] ANIMAL CONTROL SERVICES UNIT</b>				Responsibility: Police Department
Hours per week spent in Park patrol	7	10	10	
Number of animal licenses issued to Morgan Hill residents, compared to Gilroy	726/455	750/475	857/451	
Number of Morgan Hill impounded animals returned to their owners within 5 days	32	51	67	
Number of unlicensed dogs impounded in Morgan Hill	48	59	198	
Number of "At Large" Citations	38	47	59	

6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
Number of unaltered to altered MH animals receiving licenses	126/600	120/630	153/704	

[010-8270] POLICE DISPATCH SERVICES				Responsibility: Police Department
Number of 911 calls received	N/A	8,964	9,178	
Average time to answer 98% of 911 phone calls	11 seconds	2 seconds	2 seconds	
Average time between receipt of a Priority I call and dispatch of a unit (minutes & seconds)	1:45	1:09	1:44	
Number of calls for service generated	N/A	17,530	18,370	
Cost/unit of all phone calls received	N/A	\$9.03	\$10.06	

[202-6110] CONGESTION MANAGEMENT				Responsibility: Community Development Department
Percentage of major & arterial intersections identified to achieve acceptable Levels of Service (LOS) of D+ or better per General Plan standards	100%	100%	100%	

[206-5120] PLANNING				Responsibility: Community Development Department
Number and percent of Site Review Applications processed within 80 days (excluding projects requiring initial study or EIR)	22 apps 77% complete	22 apps 94% complete	28 applications 100% approved within 80 days that were complete and did not require initial study	17 approved within 80 days, 4 applications were incomplete, 5 applications required an initial study, 80 day period not up on 2 applications
Number of applications filed which require Architecture Review Board, Planning Commission or City Council approval	209	214	205	
Percent of Measure C Projects provided 30-day notice of default or expiration of allotment	100%	100%	100%	
Percent of Development Review Committee comments received on time	85%	80%	80%	
Number of applications which require Architectural Review Board,, Planning Commission or City Council approval processed per planner	Senior – 68 Assoc – 35 Asst – 25 Staff – 68	Senior – 68 Assoc – 35 Asst – 29 Staff – 67	Senior – 88 Associate-12 Assistant – 36 Staff - 69	

[206-5130] BUILDING DIVISION				Responsibility: Community Development Department
Percentage of inspections accomplished within a 24 hour response timeline	100%	98.6%	96.5%	
Number of complaints and cases processed	210	633	908	

6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
Number of Code Enforcement cases investigated or mitigated	188	591	871	
Percent of Code Enforcement cases completed and closed	91%	93%	96%	

[740-5410] BUILDING MAINTENANCE			Responsibility: Community Development Department	
Number of budgeted hours for city-wide custodial services	N/A	4,160	5,460	
Cost per square foot for custodial services for city buildings	N/A	\$1.35	\$2.61	

[010-5140] CABLE SERVICE			Responsibility: Public Works Department	
Number of cable complaints received	6	9	11	
Number of cable complaint processes completed	6	9	11	
Average number of days taken to completely process each cable complaint	22.8	9.7	4.1	

[010-5440] PUBLIC WORKS PARK MAINTENANCE			Responsibility: Public Works Department	
Average Customer Work Order Response Time Non-Emergency Emergency	1.1 days 0	1.3 days 0	11 hours 0	
Annual Maintenance Cost/Acre	\$12,032	\$11,960	\$11,499	
Acre Feet Water Used/Irrigated Acre	95/30	96/30	107/30	

[202-6100] PUBLIC WORKS STREET MAINTENANCE			Responsibility: Public Works Department	
Average Customer Work Order Response Time Non-Emergency Emergency	23 hours 1.5 hours	1 day 20 minutes	21 hours 1.5 hours	
Repair Maintenance Related Permanent Asphalt	43.5 tons	30 tons	26.8 tons	
Vegetation Abatement Program	75%	100%	100%	
Storm Drain System Facilities	100%	100%	100%	
Pavement Condition – City Wide Street System (PCI)	N/A	76	76	

[206-5410] PUBLIC WORKS ENGINEERING			Responsibility: Public Works Department	
Number of Final Maps Recorded	13	14	12	
Plan Checks returned on time	159/167	165/180	161/175	

<b>6/30/06 Update</b>	<b>Actual Result for 2004/05</b>	<b>Projected for 06/30/06</b>	<b>Actual for 06/30/06</b>	<b>Explanatory Comments (as needed)</b>
<b>Performance Measure</b>				
Number of Building Permit Applications Received	145	150	153	
Hours spent inspecting public improvements constructed by private developers	2,830	4,209	4,287	

<b>[232-5800] SOLID WASTE MANAGEMENT DIVISION</b>				<b>Responsibility: Public Works Department</b>
Dollars spent communicating recycling information (excluding employee services)	\$50,975	\$75,210	\$79,818	
Tons of recycling collected	10,376	10,439	10,955	
Number of environmental promotions distributed	12	14	13	
Percentage of customers ranking their solid waste management services "good" or "excellent" (*Biennial Measure only)	N/A*	93%	93%	
Percentage of customers who say they have enough information to properly participate in the City's recycling program	N/A*	73%	73%	
Percentage of customers participating in the recycling program	60%	63%	61%	
Solid waste diversion rate	50%	54%	54%	
Dollars spent communicating recycling information / ton of recycling collected	\$4.91/ton	\$7.20/ton	\$7.29/ton	

<b>[640-5900] PUBLIC WORKS SEWER OPERATIONS</b>				<b>Responsibility: Public Works Department</b>
Average Customer Work Order Response Time Non-Emergency Emergency	16 Hours 8 Minutes	42 minutes 13 Minutes	3.7 hours 13 minutes	
Sewer Main Restrictions Cleared	52	36	33	
Linear Feet Sewer Main Flushed	494,277	677,175	643,171	
Sanitary Sewer Overflows (SSO)	14	1	3	

<b>[650-5710] PUBLIC WORKS WATER OPERATIONS</b>				<b>Responsibility: Public Works Department</b>
Average Customer Work Order Response Time Non-Emergency Emergency	23 hours 12 minutes	24 hours 24 minutes	24 hours 24 minutes	
Cost of Water Produced (Includes Perchlorate)	\$1,166/acft	\$911/acft	\$852/acft	
Cost to Treat Perchlorate	\$822/acft	\$307/acft	\$400/acft	



6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
<b>[650-5720] PUBLIC WORKS METER READING</b>				Responsibility: Public Works Department
Average Customer Work Order Response Time Non-Emergency Emergency	14.5 hours 12 minutes	30 hours 15 minutes	23 hours 13 minutes	
Fire Hydrant Maintenance Performed	30	23	15	
Water Meter (2" or Greater) Tested	165	200	118	
Annual Cost to Read a Meter	\$0.59 per meter	\$0.59 per meter	\$0.60 per meter	

<b>[650-5760] WATER CONSERVATION</b>				Responsibility: Public Works Department
Cooperative projects with the Santa Clara Valley Water District to reduce water consumption	2	5	5	
Gallons of water produced daily per person and employee (calendar year)	142	137	137	

<b>[745-8280] PUBLIC WORKS CIP ADMINISTRATION</b>				Responsibility: Public Works Department
Number of Engineering Division hours worked on all CIP Projects	6,800	6,980	6,909	
Number of CIP projects awarded	13	13	16	
Percentage of CIP projects completed within Council approved contingency (Original scope only)	80%	100%	90%	
Hours spent inspecting public improvements	2,062	1,984	1,683	

<b>[317-7000] BUSINESS ASSISTANCE – ADMINISTRATION</b>				Responsibility: Business Assistance and Housing Services Department
Dollar value of new Tenant Improvements and new commercial/industrial buildings	\$32.2 million	\$12.0 million	\$9.7 million	
Square footage of building permits pulled for new commercial/industrial buildings and Tenant Improvements	360,731	295,000	139,000	Many projects in the pipeline, but did not pull permits in FY05-06
Square footage of commercial/industrial buildings and Tenant Improvements developed by businesses receiving ombudsman assistance	180,540	177,000	89,000	
Percent of new commercial/industrial and Tenant Improvements developed by businesses receiving ombudsman assistance	50%	66%	64%	
Amount of property and/or 1st year sales tax generated by businesses receiving ombudsman assistance	\$175,850	\$120,000	\$60,000	Businesses were not or only partially open in FY05-06

6/30/06 Update Performance Measure	Actual Result for 2004/05	Projected for 06/30/06	Actual for 06/30/06	Explanatory Comments (as needed)
Number of businesses receiving Ombudsman assistance	82	100	120	
Number of marketing packets distributed to prospective businesses	150	150	150	
Number of jobs created/retained by businesses receiving ombudsman assistance	110	120	100	
Number of new businesses receiving Ombudsman assistance anticipated to generate sales tax revenue	15	20	30	
Sales tax generated in the Downtown from general retail and food products	90,000	87,000	\$95,000	Revenue data for April-June 2006 was not available, so it was estimated

[327-7100] HOUSING		Responsibility: Business Assistance and Housing Services Department		
Number of Refinance application requests	74	61	66	
Number of BMR Rental and Homeownership applications requests	200	180	255	
Number of refinancing requests approved	26	20	30	
Number of BMR Rental and Homeownership applications approved	190	180	241	
Number of BMR Rentals and BMR ownership offers made	120	130	80	
Number of BMR Rentals and BMR units sold	25	20	21	
Number of Refinance, BMR Rental and Homeownership applications received per F.T.E. staffing for the program	244/FTE	238/FTE	277/FTE	
Amount of Agency funds contributed per new ownership unit	N/A	\$87,500	87,500	Viale project
Leverage ratio of Agency funds to other funds for ownership projects	N/A	1:4	1:4	
Customer Service Performance Goal Housing Rehab Grant Program Survey, Positive rating goal	N/A	99%	99%	



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE: SEPTEMBER 27, 2006**

### **REJECTION OF BIDS FOR THE HILL ROAD, GALLANT FOX WAY, THOMAS GRADE AND OAK LEAF COURT SEWER REHABILITATION PROJECT**

#### **RECOMMENDED ACTION(S):**

1. Reject the bid received on September 19, 2006 for the construction of the Hill Road, Gallant Fox Way, Thomas Grade and Oak Leaf Court Sewer Rehabilitation Project.
2. Authorize staff to re-bid the project.

#### **EXECUTIVE SUMMARY:**

The scope of the work for this project includes: mobilization, demolition, replace sewer manhole at Gallant Fox, convert sewer manhole to drop manhole at Hill Road, perform point repairs at Thomas Grade and Oak Leaf Court, and replace pavement section. The work is needed to reduce ground water infiltration and restore the integrity of some hillside sewer mains.

The bid opening was held on September 19, 2006. One bid was received as listed below.

Trinet Construction Inc.	\$136,000
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The advertised engineer's estimate for this project was a range between \$65,000 and \$85,000. Due to the lack of multiple competitive bids and large discrepancy between the bid amount and the engineer's estimate, staff is recommending that the bid be rejected and the project re-bid. The bid received was significantly out of line from recent similar sewer rehabilitation work and staff has determined that several factors played into the bidding anomaly. Among these was the fact that the majority of contractors in this line of work were to busy at this time to submit a competitive bid. Staff intends to address this issue before re-bidding the project.

**FISCAL/RESOURCES IMPACT:** None.

**Agenda Item # 4**

**Prepared By:**

**Associate Engineer**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**



**REDEVELOPMENT AGENCY**  
***STAFF REPORT***

***MEETING DATE:*** *September 27, 2006*

**AUGUST 2006 FINANCE & INVESTMENT REPORT**

**RECOMMENDED ACTION:**

Accept and File Report

**EXECUTIVE SUMMARY:** Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of August 2006. The report covers activity for the first two months of the 2006/2007 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

**FISCAL IMPACT:** Resources were budgeted for the preparation of this report. The preparation will not affect the 2006/07 Finance Department work plan.

Agenda Item # 5

Prepared By: \_\_\_\_\_

Asst Finance Director

Approved by: \_\_\_\_\_

Finance Director

Submitted By: \_\_\_\_\_

Executive director

**REDEVELOPMENT AGENCY OF  
THE CITY OF MORGAN HILL**

**Monthly Financial and Investment Reports**

**August 31, 2006 – 17% Year Complete**



**CITY OF MORGAN HILL  
REDEVELOPMENT AGENCY**

**Prepared by:**

**FINANCE DEPARTMENT**



**REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA**  
**FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2006/07**  
**FOR THE MONTH OF AUGUST 2006 - 17% OF YEAR COMPLETE**

**Revenues**

Through August 31, the Redevelopment Agency received no property tax increment revenues. Most property tax increment revenues are received in December and April. The Redevelopment Agency, as of August 31, 2006, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$117,815,984, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. All tax increment revenues to be collected during 2006/2007 will be collected under the plan amendment.

An amount of \$1,495,591 in interest earnings and other income, due to a \$1.4 million loan reimbursement for Royal Court Apartments, has been received through August. Additional interest earnings for July and August have not yet been apportioned, but will be following the quarter ending September 30.

**Expenditures**

Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$16,281,298, or 54% of the budget. Of this total, \$14,195,820 represented encumbrances for capital projects and other commitments. If the encumbrances were excluded, the RDA would have spent only 7% of the budget. Expenditures for administrative costs for employee services, supplies, and contract services were 8% of budget. During August 2006, CIP project expenditures totaled \$2,069,120, including \$513,989 on the Library, \$1,456,748 on the Centennial Recreation Center and \$66,634 on Tennant Ave widening.

Expenditures plus encumbrances for Housing were at 40% of the budget for a total of \$4,102,678. All of the 2006/07 housing related expenditures has been funded with tax increment collected under the plan amendment.

**Fund Balance**

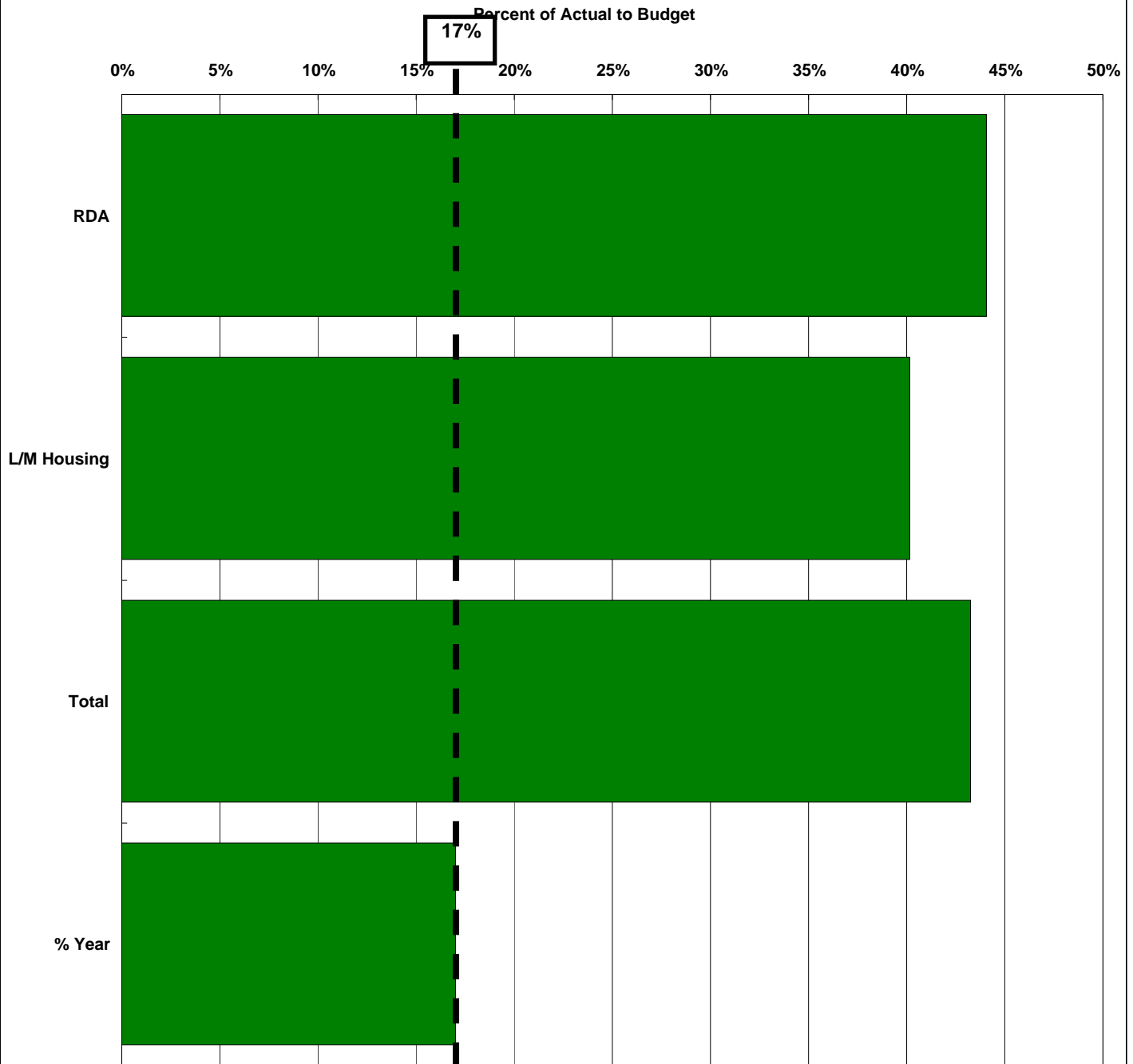
The unreserved fund balance of a negative (\$7,904,206) for the Capital Projects Fund at August 31, 2006, consisted entirely of monies collected under the plan amendment. The unreserved fund balance included future obligations to pay an additional \$875,000 for the Courthouse Facility and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments are subtracted from the negative (\$7,904,206), the remaining unreserved fund balance at August 31 would be a negative (\$5,419,206). However, these commitments are expected to be paid out over the next several years. Property tax increment receipts in the near future will provide the resources necessary to carry the Agency through the remainder of this fiscal year. The Capital Projects Fund cash balance at August 31 was \$6,899,102.

The unreserved fund balance of \$5,390,568 for the Housing Fund at August 31 consisted of funds all collected under the plan amendment.



# Redevelopment Agency YTD Expenditures

August 31, 2006

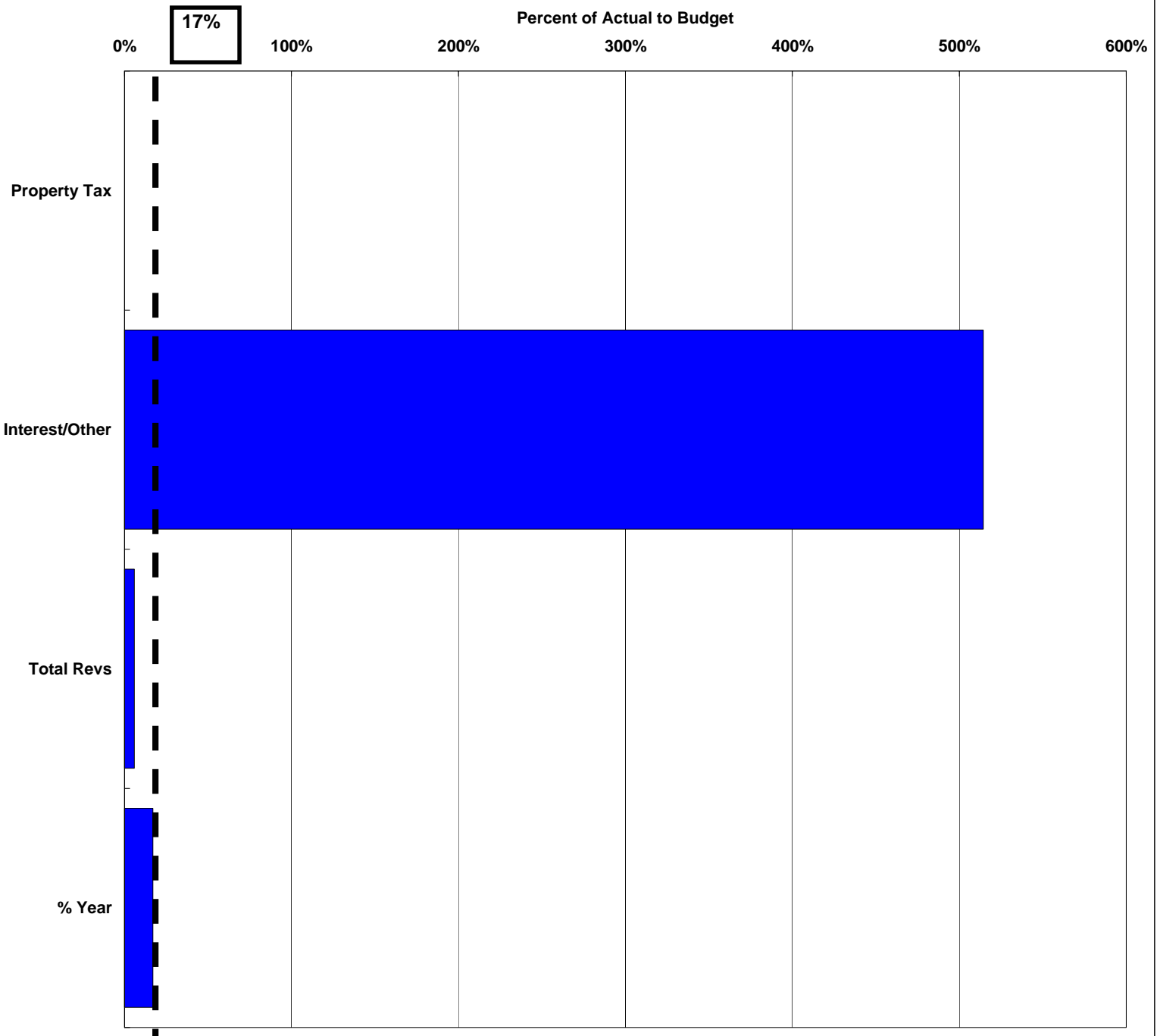


Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$39,029,392	\$17,201,799	44%
HOUSING	10,217,193	4,102,678	40%
TOTALS	\$49,246,585	\$21,304,477	43%



# Redevelopment Agency YTD Revenues

August 31, 2006



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$25,157,965			\$289,209	-100%
INTEREST INCOME/RENTS/OTHER	\$290,753	\$1,495,591	514%	\$659,038	127%
TOTALS	\$25,448,718	\$1,495,591	6%	\$948,247	58%





Redevelopment Agency  
Fund Balance Report - Fiscal Year 2006/07  
For the Month of August 2006  
17% of Year Complete

Fund No.	Fund	Unaudited Fund Balance 06-30-05	Revenues		Expenditures		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$9,369,155	(514)	0%	2,413,213	6%	(2,413,727)	14,859,634	(7,904,206)	\$11,338,181	
327/328	HOUSING	\$8,171,501	1,496,105	32%	3,982,246	39%	(2,486,141)	294,792	\$5,390,568	\$7,975,959	
<b>TOTAL CAPITAL PROJECT FUNDS</b>		<b>\$17,540,656</b>	<b>1,495,591</b>	<b>6%</b>	<b>6,395,459</b>	<b>13%</b>	<b>(4,899,868)</b>	<b>15,154,426</b>	<b>(2,513,638)</b>	<b>19,314,140</b>	
<b>SUMMARY BY FUND TYPE</b>											
	CAPITAL PROJECTS GROUP	\$17,540,656	1,495,591	6%	6,395,459	13%	(4,899,868)	15,154,426	(2,513,638)	19,314,140	
<b>TOTAL ALL GROUPS</b>		<b>\$17,540,656</b>	<b>1,495,591</b>	<b>6%</b>	<b>6,395,459</b>	<b>13%</b>	<b>(4,899,868)</b>	<b>15,154,426</b>	<b>(2,513,638)</b>	<b>19,314,140</b>	
<b>TOTAL CASH AND INVESTMENTS</b>										<b>19,314,140</b>	

<sup>1</sup> Amount reserved for encumbrances, fixed asset replacement, long-term receivables



Redevelopment Agency  
 Year to Date Revenues - Fiscal Year 2006/07  
 For the Month of August 2006  
 17% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
<b>CAPITAL PROJECTS FUNDS</b>							
<b>317 CAPITAL PROJECTS</b>							
Property Taxes & Supplemental Roll	20,623,665	20,623,665	-	n/a	231,367	(231,367)	-100%
Loan Proceeds	-	-	-	n/a	-	-	n/a
Interest Income, Rents	125,890	125,890	(514)	0%	2,189	(2,703)	-123%
Other Agencies/Current Charges	-	-	-	n/a	652,672	(652,672)	-100%
<b>TOTAL CAPITAL PROJECTS</b>	<b>20,749,555</b>	<b>20,749,555</b>	<b>(514)</b>	<b>0%</b>	<b>886,228</b>	<b>(886,742)</b>	<b>-100%</b>
<b>327/328 HOUSING</b>							
Property Taxes & Supplemental Roll	4,534,300	4,534,300	-	n/a	57,842	(57,842)	-100%
Interest Income, Rent	151,510	151,510	42,276	28%	2,325	39,951	1718%
Other	13,353	13,353	1,453,829	na	1,852	1,451,977	78400%
<b>TOTAL HOUSING</b>	<b>4,699,163</b>	<b>4,699,163</b>	<b>1,496,105</b>	<b>32%</b>	<b>62,019</b>	<b>1,434,086</b>	<b>2312%</b>
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>25,448,718</b>	<b>25,448,718</b>	<b>1,495,591</b>	<b>6%</b>	<b>948,247</b>	<b>547,344</b>	<b>58%</b>



Redevelopment Agency  
Year to Date Expenses - Fiscal Year 2006/2007  
For the Month of August 2006  
17% of Year Complete

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET	PRIOR YTD
317 CAPITAL PROJECTS								
	Tax Increment Pass Thru ERAF	-	-	-	-	-	n/a	
	BAHS Administration	129,440	4,700,342	268,236	85,274	353,510	8%	124,448
	BAHS Economic Development	49,499	4,012,274	59,499	507,492	566,991	14%	437,632
	BAHS CIP	<u>2,069,120</u>	<u>30,316,776</u>	<u>2,085,478</u>	<u>14,195,820</u>	<u>16,281,298</u>	<u>54%</u>	<u>1,466,184</u>
	<b>TOTAL CAPITAL PROJECTS</b>	<b><u>2,248,059</u></b>	<b><u>39,029,392</u></b>	<b><u>2,413,213</u></b>	<b><u>14,788,586</u></b>	<b><u>17,201,799</u></b>	<b><u>44%</u></b>	<b><u>2,028,264</u></b>
327 AND 328 HOUSING								
	Housing	<u>3,838,299</u>	<u>10,217,193</u>	<u>3,982,246</u>	<u>120,432</u>	<u>4,102,678</u>	<u>40%</u>	<u>1,321,990</u>
	<b>TOTAL HOUSING</b>	<b><u>3,838,299</u></b>	<b><u>10,217,193</u></b>	<b><u>3,982,246</u></b>	<b><u>120,432</u></b>	<b><u>4,102,678</u></b>	<b><u>40%</u></b>	<b><u>1,321,990</u></b>
<b>TOTAL CAPITAL PROJECT FUND:</b>		<b>6,086,358</b>	<b>49,246,585</b>	<b>6,395,459</b>	<b>14,909,018</b>	<b>21,304,477</b>	<b>43%</b>	<b>3,350,254</b>



**Redevelopment Agency of the City of Morgan Hill**  
**Balance Sheet Report - Fiscal Year 2005/06**  
**For the Month of August 2006**  
**17% of Year Complete**

	CAPITAL PROJECTS (Fund 317)	Housing (Fund 327/328)
<b>ASSETS</b>		
Cash and investments:		
Unrestricted	6,899,102	5,589,619
Accounts Receivable	26,576	
Loans Receivable <sup>1</sup>	3,282,711	37,715,111
Advance to Other Funds		
Fixed Assets <sup>2</sup>	71,049	174,360
Other Assets		
Total Assets	10,279,438	43,479,090
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	37,114	21,546
Deferred Revenue <sup>3</sup>	3,286,896	37,772,184
Accrued Vacation and Comp Time		
Total liabilities	3,324,010	37,793,730
<b>FUND BALANCE</b>		
Fund Balance		
Reserved for:		
Encumbrances	14,788,585	120,432
Advance to Other Funds		
Properties Held for Resale	71,049	174,360
Loans and Notes Receivable		
Total Reserved Fund balance	14,859,634	294,792
Unreserved Fund Balance	(7,904,206)	5,390,568
Total Fund Balance	6,955,428	5,685,360
Total Liabilities and Fund Balance	10,279,438	43,479,090

<sup>1</sup> Includes Housing Rehab loans and loans for several housing and Agency projects.

<sup>2</sup> Includes RDA properties held for resale.

<sup>3</sup> Includes the deferred payment portion of the loans noted above.



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *September 27, 2006*

### **AQUATIC CENTER LANE RENTAL RATES AND MORGAN HILL SWIM CLUB REPAYMENT PLAN**

#### **RECOMMENDED ACTION:**

1. Approve the proposed Aquatic Center lane rental rates effective August 1, 2006.
2. Approve the Morgan Hill Swim Club repayment plan and authorize the City Manager to execute a contract.

#### **EXECUTIVE SUMMARY:**

The Morgan Hill Swim Club (Club) notified the City on March 21, 2006, that it was financially unable to pay the Aquatics Center (AC) the City Council approved lane rental rates due to the loss of funding assistance from the Morgan Hill Aquatics Foundation, Board resignations, an unanticipated unemployment claim, and low membership numbers. The Public Safety & Community Services Committee discussed this issue at their May, August, and September 2006 meetings. At the conclusion of the August meeting, the Committee requested a definitive plan be presented for review at their September 20, 2006, meeting.

On September 11, 2006, the Club's Board of Directors delivered two formal proposals for City consideration. The first proposal is regarding lane rental rates and the second proposal is a repayment plan for past due expenses. The Club requested City Council:

1. Revise the monthly lane rental rates to a tiered rate schedule based on Club membership numbers
2. Revise Swim Meet rental rates from \$2,500/\$2,000 per day to \$1,000 per day
3. Accept the Club's repayment plan

Staff met with the Acting Club President to review the proposals and negotiate a repayment plan. On September 20, 2006, staff and Swim Club representatives met with the Committee, as requested, to discuss the Club's proposals. As a result of that meeting, the Committee asked staff to meet with Club representatives to develop a revised proposal for City Council consideration on September 27, 2006 that meets the following objectives:

1. The agreement shall be structured to provide incentives for the Club to increase its membership and for mutual gain between the City and the Club.
2. The agreement shall require the preparation and implementation of an aggressive membership campaign by the Club.
3. The agreement shall be structured to allow the Club to become successful
4. The agreement shall provide for a phase in of higher lane rental rates, achieving at a minimum, the previously approved rates by the end of the term.
5. The agreement shall provide for repayment of past obligations over time as the Club's membership grows.

#### **FISCAL IMPACT:**

The approved Fiscal Year 2006/07 Aquatics Center General Fund budget estimated revenues of approximately \$72,000 from the Morgan Hill Swim Club for lane rentals. The proposed rental rates could have an impact of approximately \$50,000 if Club membership remains below 125 participants. In this scenario, FY 2006/07 Aquatics Center anticipated rental revenues of \$38,000. This number includes \$22,500 for Swim Club lanes rentals, as well as other rental income. In the event that Club membership exceeds 125 participants, the fiscal impact would be reduced.

**Agenda Item # 6**

**Prepared By:**

**Director of Recreation  
and Community  
Services**

**Submitted By:**

**City Manager**



EXHIBIT A

# Memorandum

## Recreation and Community Services Department

**Date:** September 22, 2006  
**To:** Ed Tewes, City Manager  
**From:** Steve Rymer, *SR* Director of Recreation and Community Services  
**Subject:** Morgan Hill Swim Club Lane Rental and Repayment Proposals

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### Background

The Morgan Hill Swim Club (Club) has been in existence for over 40 years. Since the Aquatics Center (AC) opened in 2004, the Club has utilized the facility as its training center on a year round basis. During the planning of the AC, a decision was made by the City Council to design and build a 50 meter pool for training and competition purposes. The original operating plan indicated that the AC would only be open during the summer months to contain operating costs. Later, a decision was made to operate the Aquatics Center during the "off season" by renting the facility at a rate that covered the operating and maintenance expenses. As you know, the Morgan Hill Aquatic Foundation's current purpose is *"to facilitate the year round operation of the Morgan Hill Aquatics Center by...providing support to organizations that as a priority represent the competitive aquatic sports community of Morgan Hill..."* (Source: Morgan Hill Aquatic Foundation Articles of Incorporation; June 13, 2005). As it relates to the Club, the Foundation intended to assist the Club in meeting its financial obligations to the City. However, the Foundation has not provided funding since October 2005.

The AC just completed its second complete fiscal year and continues to operate on a year round basis. The facility covers approximately 75 percent of its operating expenses through user fees.

### Morgan Hill Swim Club

The Club notified the City on March 21, 2006, that it was financially unable to pay the Aquatics Center the City Council approved lane rental rates. Staff met with Club representatives in May 2006 to discuss the Club's situation and the Club's proposal to lower lane rental rates for the summer months. The Club cited that the Morgan Hill Aquatics Foundation was no longer providing funding assistance, Board resignations, an unanticipated unemployment claim, and low membership numbers as reasons for its current position. The Club requested financial relief to provide it an opportunity to recover from its financial difficulties. At the conclusion of the meeting, staff agreed to follow up with the Club representatives after meeting with the Public Safety & Community Service Committee at its May 2006 meeting.

Staff brought the issue forward to the Committee members in May. The Committee agreed that the Swim Club could have until the end of summer to improve its financial situation. If the Club was not successful, further discussions would need to occur about the Club's long-term use of the Aquatics Center. Unfortunately, staff did not follow-up with the Club as promised and the Club continued to use the Aquatics Center without a formal contract and without paying the City Council approved rates.

On August 2, 2006, staff sent a letter (Attachment A) to the Club indicating that it had until August 31, 2006, to make full payment or have access to the Aquatic Center revoked. As a result of the letter, Club representatives contacted staff and requested a meeting to discuss the City's conditions. Staff met twice before bringing the issue forward to the Public Safety & Community Service Committee meeting on August 16, 2006. The Committee invited Club representatives to discuss the Club's financial position, intent to pay the approved rates, and continued access to the AC. At the conclusion of the meeting, the Committee stated its expectation that a definitive plan would be brought back for review at its September 20, 2006, meeting and that an extension on its payment deadline would be granted if the Club demonstrated a good faith effort to work with staff. An extension letter (Attachment B) was sent to the Club on August 18, 2006. Additionally, staff also provided a revised letter (Attachment C) indicating that the Club actually owes the City \$39,000 since January 2006 according to City Council approved rental rates.

Since August 16, 2006, staff and Swim Club representatives have met several times to develop a mutually beneficial solution that could allow the Club to continue using the AC as its training facility and provide the City with a consistent revenue stream to assist in supporting AC operations. As part of this process, staff reviewed Club bank statements, cash flow projections, and other pertinent material. Since discussions began, the Club has paid the City over \$4,700 for August (\$2,000) and September (\$2,000) pool use and for Club swim suits (\$771) previously purchased by the City.

### **Swim Club Proposals**

On September 11, 2006, the Club's Board of Directors delivered two formal proposals for City consideration. The first proposal (Attachment D) was in regards to lane rental rates and the second proposal (Attachment E) was a repayment plan for past due expenses. The Club requested that the City Council:

1. Revise the monthly lane rental rates to a tiered schedule based on Club membership numbers
2. Revise Swim Meet rental rates from \$2,500/\$2,000 per day to \$1,000 per day
3. Accept the Club's repayment plan

The proposed lane rental amounts were based on membership numbers and not a flat lane rental rate as currently approved. It is important to note that the City Council has revised the Aquatic Center's lane rental fees two times since the original approval.

- a. September – April: \$1,250 → \$1,000 → \$800/lane/month
- b. May – August: \$600/lane/month

The Club's proposal would be a further reduction and a new strategy in determining lane rentals for all qualified users. These rates are intended to assist the Club in developing a sustainable team while providing the City with a consistent income stream. As part of this, staff is also recommending to decrease the daily Swim Meet rental rate to \$1,000 and increase the competition pool rental (shared use) to \$45 from \$40.

On September 14, 2006, staff met with the Acting Club President to review the proposals. Staff agreed with the lane rental proposal, but felt it was necessary to negotiate an acceptable repayment amount and plan. From the meeting, a proposed repayment plan was agreed upon. To simplify the process, the plan is divided into two separate areas:

1. Swim Meets
2. Lane Rentals

In total, the Club owes the City \$3,858 for two swim meets held at the AC. This is a net number due to an agreement to share revenues as part of the Far Western meet. The repayment plan is based upon income generated from two upcoming meets. One in December 2006 and the other in January 2007. Staff expects to receive payment in full no later than January 31, 2006.

For lane rentals, staff agreed to divide the difference equally between the approved City Council rates and the actual amount paid by the Swim Club for the period beginning January 2006 and ending July 2006 (the recommendation will be to retroactively approve a monthly lane rental of \$2,000 starting August 1, 2006). In total, this equals \$14,200. The repayment plan was based upon the Club's ability to pay. That is, as the Club reaches the 150 member mark, it would add an additional \$500 to its monthly lane rental payment until the debt is paid in full.

Staff was also informed on September 14, 2006, that the Club received another unemployment claim of \$2,360.

Following receipt of the proposals, staff met with the Acting Club President to review the proposals and negotiate an acceptable repayment amount and plan. On September 20, 2006, staff and Swim Club representatives met with the Committee as requested to discuss the Club's proposals. The Committee asked staff to meet with Club representatives to discuss the proposals and revise them to meet the following objectives for City Council consideration.

1. The agreement shall be structured to provide incentives for the Club to increase its membership and for mutual gain between the City and the Club.
2. The agreement shall require the preparation and implementation of an aggressive membership campaign by the Club.
3. The agreement shall be structured to allow the Club to become successful.
4. The agreement shall provide for a phase in of higher rates for lane usage, achieving, at a minimum, the previously approved rates by the end of the term.
5. The agreement shall provide for repayment of past obligations over time as the Club's membership grows.



As a result of this meeting, the following rental rate schedule and repayment schedule was agreed upon (Attachment F) and being recommended for City Council consideration. The Club also provided addendums to its original proposals that are included with Attachment D.

### **PROPOSED RENTAL RATES with REPAYMENT PLAN**

Members	Monthly Lane Rental	Number of Lanes	Monthly Repayment Amount	Monthly Total	City Monthly Gain	Swim Club Monthly Gain	Target Date
0-124	\$200	10		\$2,000	-	-	
125-149	\$310	10		\$3,100	\$1,100	\$1,000	June 30, 2007*
150-174	\$350	12	\$500	\$4,700	\$1,600	\$1,500	June 30, 2008
175-199	\$425	12	\$1,000	\$6,100	\$1,400	\$1,600	June 30, 2009
200-224	\$500	12	\$2,000**	\$8,000	-	-	June 30, 2010
225+	\$600	12	-	\$7,200	-		June 30, 2011

\*If membership does not reach 125, repayment of \$500 per month begins immediately.

\*\*If repayment of \$14,200 is not complete, monthly repayment amount would be \$2,000.

### **FISCAL IMPACT:**

Even though the recommendation reduces rental rates by up to 67 percent, it meets the Committee's objectives. The approved Fiscal Year 2006/07 Aquatics Center General Fund budget estimated receiving approximately \$72,000 from the Morgan Hill Swim Club for lane rentals. The proposed rental rates could have an impact of approximately \$50,000 if Club membership remains below 125 participants. In this scenario, FY 2006/07 Aquatics Center anticipated rental revenues would be a total of \$38,000. This number includes \$22,500 for Swim Club lanes rentals, as well as other rental income. In the event that Club membership exceeds 125 participants, the fiscal impact would be reduced.

### **POLICY ISSUES**

There are many policy issues that should be addressed in regards to Aquatic Center operations. For the September 27, 2006, City Council meeting, staff will be asking the Council to consider approving new lane rental rates and a repayment plan.

I also believe there are additional policies issues that still need to be discussed, but are not included on the September 27, 2006, City Council Agenda. First and foremost, should the facility continue to be operated on a year round basis if it is unable to meet its financial obligations? This question is more complex than a simple yes or no answer since there would be impacts to current service delivery levels. In addition to the Swim Club potentially not having a practice facility, the City's Masters Lap Swim program, other City aquatics programs, and other outside facility rentals would be impacted. It is true that the new Centennial Recreation Center pool may be able to offer similar services, however the pool configuration and expected user demand may limit the ability to meet all of the existing demands.

Second, some community members and members of the Parks and Recreation Commission have indicated an interest in establishing a City run swim team. There are many variables that would

need to be considered if the Council wishes to have this option evaluated. The most obvious question is whether or not a City run recreation team could coexist with the Morgan Hill Swim Club? Second, does the City have the resources and willingness to operate a swim team? Third, what would be the true fiscal impact of operating a team? Once again, this is not a simple yes or no answer. Significant evaluation and research would need to be performed at the potential expense of current services before a decision of this caliber could be made.

August 2, 2006

## ATTACHMENT A

Dear Morgan Hill Swim Club Board of Directors:

The Morgan Hill Swim Club is in arrears of rental payments for the amount of \$36,999. This amount includes facility rentals and monthly lane rentals. The City Council established monthly lane rental rates intended to provide access to the Aquatics Center and assist the City in meeting its cost recovery goals. The swim club has had uninterrupted access to the facility even though the club is significantly delinquent in payment. This is impacting the AC's finances and ability to attract other programs due to the large usage area that the club occupies. Please see the breakdown of delinquent payments below:

	Contract rate	Amount Paid
Far Westerns 4 days	\$4000	.00
Zone 1 South B/A+	\$2000	.00
January Lane Rental	\$8000	\$3,500.00
February Lane Rental (7 lanes)	\$4200	\$2,000.00
March Lane Rental (7 lanes)	\$4200	\$2,000.00
April Lane Rental (7 lanes)	\$4200	\$2,000.00
May Lane Rental (7 lanes)	\$4200	\$500.00
June Lane Rental (10 lanes)	\$6000	\$500.00
July Lane Rental (10 lanes)	\$6000	\$500.00
August Lane Rental (10 lanes)	\$6000	.00
Makos Swim Suits	\$1,341	.00
<b>Total:</b>	<b>\$50,141</b>	<b>\$11,000</b>
7 % Concession/retail to swim club from Far Westerns	-\$2,142	NA

**Amount Due: \$36,999**

We are sorry to inform you that if this amount is not paid in full by August 31, 2006, the use of this facility will be terminated effective September 1, 2006. Additionally, arrangements must be made for full payment to the City of the delinquent amount due. The City has been very generous and understanding of the MHSC's situation and has given the club 8 months to re-build your program. However, we must now consider other programming options to reduce the impact on the City's General Fund and to enable more public access to the facility. Please feel free to contact me at (408) 782-2134 x 701 with any questions.

Thank you,

Angela Papp  
Morgan Hill Aquatics Center Supervisor

Cc:  
Steve Rymer, Parks and Recreation Director  
Ed Tewes, City Manager  
Don Power, Chair Pacific Swimming



## ATTACHMENT B

17555 Peak Avenue  
Morgan Hill, CA 95037  
Tel: 408-779-7271  
Fax: 408-779-3117  
[www.morgan-hill.ca.gov](http://www.morgan-hill.ca.gov)

---

August 18, 2006

Ms. Cindy Acevedo  
C/O Morgan Hill Swim Club

**RE: Morgan Hill Swim Club Deadline Extension**

Dear Cindy,

Thank you for attending the August 16, 2006, Public Safety & Community Services Committee meeting. The purpose of this letter is to formally extend the Morgan Hill Swim Club's deadline from August 31 to September 30, 2006. The extension is being granted due to the Club's good faith commitment that was demonstrated at the meeting.

At the conclusion of the Committee discussion, the Club was asked to work with me to develop a work plan and formal proposal to be considered by the Committee in early September. Our first meeting is scheduled for Monday, August 21, from 9:30am to 11:00am. I ask that you bring updated cash flow projections with you that reflect current and realistic membership income, swim meet income, and overall Club expenses. As a starting point, I want to inform you that the Club's initial proposal presented on Wednesday is not acceptable due to the fact that this would equate to an 88 percent reduction in City Council approved rates for May through August and a 91 percent reduction from September through April. Please be prepared to discuss other options that may be mutually beneficial for both parties.

If we can agree on a proposal, the next step will be to present it to the City Manager and Committee. If they find that the Club's proposal and corresponding commitments are acceptable, it will be forwarded to the full City Council for consideration in September.

We have also recalculated the amount due to the City and I will present that at our Monday meeting. In the meantime, if you have any questions or would like further clarification, please contact me at 408.779.7271 or [steve.rymer@morganhill.ca.gov](mailto:steve.rymer@morganhill.ca.gov).

Sincerely,  
Steve Rymer  
Director of Recreation and Community Services



## ATTACHMENT C

17555 Peak Avenue  
Morgan Hill, CA 95037  
Tel: 408-779-7271  
Fax: 408-779-3117  
[www.morgan-hill.ca.gov](http://www.morgan-hill.ca.gov)

August 21, 2006

Ms. Cindy Acevedo  
C/O Morgan Hill Swim Club

**RE: Morgan Hill Swim Club Balance Due Revision**

Dear Cindy,

After your meeting with the City Council's Public Safety & Community Services Committee on August 16, I recalculated the Morgan Hill Swim Club's amount due to the City. This number reflects the City Council approved lane rentals, \$1,000 per day for swim meets, and any payments and/or credits to date.

	City Council Approved Rate	Amount Paid	
<i>Lane Rentals</i>			
January Lane Rental (8 lanes x \$800)	\$6400	\$3,500	
February Lane Rental (7 lanes x 800)	\$5600	\$2,000	
March Lane Rental (7 lanes x \$800)	\$5600	\$2,000	
April Lane Rental (7 lanes x \$800)	\$5600	\$2,000	
May Lane Rental (7 lanes x \$600)	\$4200	\$500	
June Lane Rental (10 lanes x \$600)	\$6000	\$500	
July Lane Rental (10 lanes x \$600)	\$6000	\$500	
August Lane Rental (10 lanes \$600)	\$6000	\$0	
Subtotal	\$45,400	\$11,000	
<i>Swim Meets</i>			
Far Westerns 4 days	\$4000	\$0	
Zone 1 South B/A+	\$2000	\$0	
7 % Concession/retail to Swim Club from Far Westerns		\$2,142	
Subtotal	\$6000	\$2142	
<i>Other</i>			
Makos Swim Suits	\$1,341	\$502	Amount Due
<b>Totals:</b>	<b>\$52,741</b>	<b>\$13,644</b>	<b>\$39,097</b>

If you have any questions or would like further clarification, please contact me at 408.779.7271 or [steve.rymer@morganhill.ca.gov](mailto:steve.rymer@morganhill.ca.gov).

Sincerely,  
Steve Rymer  
Director of Recreation and Community Services

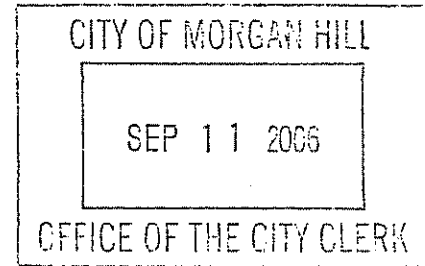


Morgan Hill Swim Club  
P.O. Box 972  
Morgan Hill, CA 95038  
A California Nonprofit Corporation  
TIN 77-0184027



September 5, 2006

Mr. Steve Rymer, Director  
Recreation & Community Services Department  
17555 Peak Ave.  
City of Morgan Hill  
Morgan Hill, CA 95037



Re: Morgan Hill Swim Club Proposal for Lane Rentals

Dear Mr. Rymer:

The Morgan Hill Swim Club is a California Non Profit Corporation, our Tax ID number is 77-0184027. We are seeking approval for our Proposal for Lane Rental from the City Council and hereby request that this item be agendaized for their consideration.

As a follow up to our meetings and discussions regarding the Morgan Hill Swim Club's rental of lanes for its swim team practices, our proposal is as follows:

September 1, 2006 thru March 31, 2007 rate according to the following rate schedule:

0-149 members	\$200/lane/month	10 lanes	\$2,000/Month
150-199 members	\$350/lane/month	12 lanes	\$4,200/Month
200-249 members	\$500/lane/month	12 lanes	\$6,000/Month

Discussion for the next annual contract would begin in January 2007 in preparation for the City's Fiscal Year 07/08 budgeting process. The proposed rate schedule above would be the foundation for the next contract.

The Morgan Hill Swim Club is attaching copies of our Minutes from our September 5, 2006 authorizing this Lane Rental Proposal, Year To Date Bank Balance and Swimmer Count Charts, Budget(s) at 100, 150 and 200 Swimmers with Pool Rental Rates as outlined above, YTD MHSC Expense Summary, YTD Checking Account Balance Sheets, and actual Bank Statements as supporting documentation, and MHSC will agree to continue to provide monthly banking statements to the City during the term of the rental agreement.

The above documentation is provided to demonstrate our ability to enter into a Lane Rental Agreement at the Morgan Hill Aquatic Center, just as soon as that Agreement form has been revised. It is our understanding that the form is currently being revised by your staff.



Morgan Hill Swim Club  
P.O. Box 972  
Morgan Hill, CA 95038  
A California Nonprofit Corporation  
TIN 77-0184027



Please also consider that our members have relinquished many of the revenue streams normal for a swim club, to the Morgan Hill Aquatic Center. This includes all lesson programs, recreational swimming programs, and master swimmer programs. Further we worked together so that the Aquatic Center would receive 90% of the income on snack bar and retail sales during the swim meets we host. Lastly you need to also include the economic benefits to the Morgan Hill Community at Large (Hotels, Restaurants, grocery stores, gasoline, entertainment venues, etc.) whenever we host meets at the Aquatic Center.

Please consider this letter our formal proposal for lane rentals at the Morgan Hill Aquatic Center. Please feel free to contact me with any questions or comments regarding the above. Thank you for your kind consideration and we look forward to your response.

Sincerely,

Cindy Acevedo,  
Morgan Hill Swim Club  
Vice President and Acting President  
Enclosures: As above.

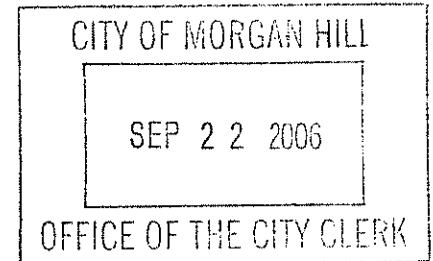


Morgan Hill Swim Club  
P.O. Box 972  
Morgan Hill, CA 95038  
A California Nonprofit Corporation  
TIN 77-0184027



September 21, 2006

Mr. Steve Rymer, Director  
Recreation & Community Services Department  
17555 Peak Ave.  
City of Morgan Hill  
Morgan Hill, CA 95037



**Re: Morgan Hill Swim Club Proposal(s) for Lane Rentals & Repayment Plan  
Revised at Increments of 25 as requested;  
Supplemental Membership Goal Milestones**

Dear Mr. Rymer:

Thank you for meeting with Clay Shope (MHSC Team Treasurer) and myself today in order to review and outline a brief revision to our September 5, 2006 Lane Rental and Repayment Proposal(s). The purpose of our meeting was to breakout the rate schedule (at increments of 25 instead of increments of 50) as outlined in my September 5, 2006 Proposal for Lane Rentals.

We accomplished this task this afternoon and our proposed rate schedule would be modified as follows:

Swim Team Members	Lanes	Rate	Payment Monthly
0-124	10	\$200	\$2000
125-149	10	\$310	\$3100
150-174	12	\$350	\$4200
*Re-payment at \$500 additional per month starts at 150 Swimmers			
175-199	12	\$425	\$5100
*Re-payment at \$1,000 additional per month starts at 200 Swimmers			
200-224	12	\$500	\$6000
225 +	12	\$600	\$7200

Additionally, we took the time to review MHSC Membership Goals and have outlined our key milestones related to the Repayment Plan as follows:

DATE Swim Team Member Goal Repayment plan for \$14,200 amount:

June 30, 2007 125 If 125 member goal is not reached by this date then \$500 repayment per month to City starts here and continues until \$14,200 is paid in full.





Morgan Hill Swim Club  
P.O. Box 972  
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TIN 77-0184027



June 30, 2008                      150                      Planned repayment amount of \$500 per month  
begins here and continues until \$14,200 is paid in full.

June 30, 2009                      175                      Repayment amount increases to \$1,000 per  
month to City and continues until \$14,200 is paid in full.

June 30, 2010                      200                      Repayment should be completed.

June 30, 2011                      225

The above planned repayment schedule accomplishes our goal that the Morgan Hill Swim Club remain viable, achieves its growth goals, and repays the agreed upon \$14,200 negotiated balance due as quickly as possible. The above milestones are believed achievable as compared to normal swim team growth patterns.

Please consider this letter a supplement to our formal proposals for lane rentals and repayment plan submitted previously. Thank you for your kind consideration and we look forward to your response.

Sincerely,

---

Cindy Acevedo,  
Morgan Hill Swim Club  
Vice President and Acting President

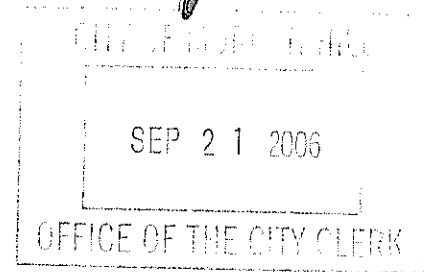


Morgan Hill Swim Club  
P.O. Box 972  
Morgan Hill, CA 95038  
A California Nonprofit Corporation  
TIN 77-0184027



September 20, 2006

Mr. Steve Rymer, Director  
Recreation & Community Services Department  
17555 Peak Ave.  
City of Morgan Hill  
Morgan Hill, CA 95037



**Re: Morgan Hill Swim Club Proposal(s) for Lane Rentals & Repayment Plan**

Dear Mr. Rymer:

In support of our September 5, 2006 proposals, I would like to outline for you some of the numerous pro-active steps forward the Morgan Hill Swim Club has taken since February of this year when our swim club membership was at 44 paying members:

**ACTIONS TO GROW THE TEAM:**

Three separate Membership Recruiting Drives occurred in April, June and most recently last week. MHSC has gained over 70 members in 5 months time to 113 members.

MHSC has also advertised its Tryout times in the Morgan Hill Times in conjunction with the above-mentioned recruiting drives.

MHSC has recruited a New Members Chairperson responsible to greet the new swimmers for Tryouts; MHSC has a pop-up tent on deck for this area.

MHSC has developed a new web site which tells prospective members what our team vision is and how to join the team.

MHSC has held in conjunction with the Aquatic Center several Wednesday night Family Fun Nights at the Aquatic Center. The Aquatic Center receives the revenue for entrance fees and the MHSC hosts it socials there. MHSC invited the Gilroy Gators for one of these evenings.

MHSC has requested and received cooperation from the Aquatic Center Staff permission to recruit members from its graduating lessons swimmers and the Fun N Fit swimmers. This will give MHSC the ability to recruit qualified swimmers who might be interested in a year round program.



Morgan Hill Swim Club  
P.O. Box 972  
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**COST CONTROLS TAKEN:**

**MHSC authorized a Per Lane Per Hour Rental Proposal and filled out the Aquatic Center Rental Agreement which was given to the City on March 21, 2006.**

**Cost controls were implemented and dual signatures required on any checks over \$1,000 amounts.**

**Coach salaries have not increased from prior year. Salaried coaches have agreed to pay cuts if the membership revenue falls below \$8500 monthly and their contracts would be renegotiated at that point. Hourly coaches are on as needed basis. Volunteer coaches were brought in.**

**MHSC has committed to transfer to an Unemployment Insurance Program (versus the current "Reimbursement Method") as soon as possible. We are advised by the EDD that we cannot make that change request until December 1 for an effective change January 1, 2007.**

**MHSC has a new Membership Agreement outlining the due dates, late fees and volunteer requirements for members. A significant dues increase was implemented in February 2006 (approximately 30% increase). The agreement also includes a new "rejoin fee" designed to reduce the number of athletes jumping from one sport to another and back again to the MHSC.**

**MHSC senior swimmers are not receiving any travel meet subsidies at this time due to budget restraints.**

**MHSC has committed to grow the team to over 200 members, and believes this is a healthy attainable goal.**

Please consider this letter a supplement to our formal proposals for lane rentals and repayment plan submitted previously. Please feel free to contact me with any questions or comments regarding the above. Thank you for your kind consideration and we look forward to your response.

Sincerely,

Cindy Acevedo,  
Morgan Hill Swim Club  
Vice President and Acting President

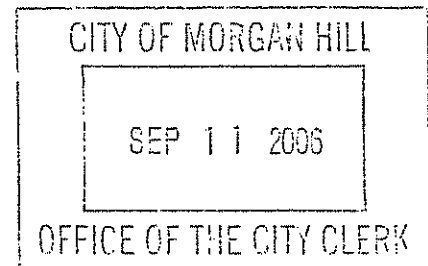


Morgan Hill Swim Club  
P.O. Box 972  
Morgan Hill, CA 95038  
A California Nonprofit Corporation  
TIN 77-0184027



September 5, 2006

Mr. Steve Rymer, Director  
Recreation & Community Services Department  
17555 Peak Ave.  
City of Morgan Hill  
Morgan Hill, CA 95037



Re: Morgan Hill Swim Club Proposal for Repayment Plan

Dear Mr. Rymer:

The Morgan Hill Swim Club is in receipt of the City's August 2 and 21, 2006 letters itemizing various amounts due for lane rentals, swim meet fees, and other items, and we respectfully disagree with those amounts and hereby offer what we believe is owed along with our plan for repayment.

As discussed in various meetings with you and other members of the Recreation & Community Services Department, and consistent with my written lane rental proposal submitted on 3/21/06, and subsequent Lane Rental Proposal of today's date, MHSC would propose the following are owed to the City for lane rental repayment:

May 2006: \$1500  
June 2006: \$1500  
July 2006: \$1500

Further, we would agree that the swim meet fees remain outstanding for a balance owed of \$3858 which was calculated by the \$1,000 per day rental less 7% concession/retail to the Morgan Hill Swim Club (please note we believed the credit would be 10%, but agree to the lesser amount to resolve this item). Since the Aquatic Center has been opened, the Morgan Hill Swim Club has never been charged more than \$1,000 per day to host our swim meets there. My recent communications with you are that the Aquatic Center is (or already has) increasing the rates to \$2500 per day. The Morgan Hill Swim Club formally requests that the swim meet rental fee remain (or officially revert to) the \$1,000 per day.

The Morgan Hill Swim Club agreed to pay the City for the Makos Swim Suits and delivered a check to Angela Papp for the balance due of \$839. MHSC subsequently was informed that the amount due was being revised (lower to reflect a payment already made) and we agree to pay that final amount once it is determined.



Morgan Hill Swim Club  
P.O. Box 972  
Morgan Hill, CA 95038  
A California Nonprofit Corporation  
TIN 77-0184027




The Morgan Hill Swim Club would propose to repay the City the \$8,358 itemized above from the profits earned by hosting our upcoming December 2006 and January and November 2007 Swim Meets. Enclosed are copies of our swim meet income sheets from the most recent meets hosted by Morgan Hill Swim Club in 2006. We believe that repayment of the \$8,358 can occur over the next two years (50% of the \$8,358 due within one year, the remainder due within two years) of MHSC hosted meet profits and would pledge that income for the repayment to the City.

The Morgan Hill Swim Club Board of Directors has authorized me to present the above proposed repayment amounts and plan at its September 5, 2006 Board Meeting, and copies of the Minutes are attached to this Proposal.

Under separate cover, we are requesting the City Council agendaize our lane rental proposal request for amounts based upon membership income; and hereby request that this repayment plan, and Swim Meet fees also be placed on the Agenda for their consideration as well.

Please feel free to contact me with any questions or comments regarding the above. Thank you for your kind consideration and we look forward to your response.

Sincerely,

  
Cindy Acevedo,

Morgan Hill Swim Club  
Vice President and Acting President  
Enclosures: As above.

# ATTACHMENT F

City of Morgan Hill  
Recreation & Community Services Department

## PROPOSED RENTAL RATES with REPAYMENT PLAN September 27, 2006

Members	Monthly Lane Rental	Number of Lanes	Monthly Repayment Amount	Monthly Total	City Monthly Gain	Swim Club Monthly Gain	Target Date
0-124	\$200	10		\$2,000	-	-	
125-149	\$310	10		\$3,100	\$1,100	\$1,000	June 30, 2007*
150-174	\$350	12	\$500	\$4,700	\$1,600	\$1,500	June 30, 2008
175-199	\$425	12	\$1,000	\$6,100	\$1,400	\$1,600	June 30, 2009
200-224	\$500	12	\$2,000**	\$8,000	-	-	June 30, 2010
225+	\$600	12	-	\$7,200	-	-	June 30, 2011

\*If membership does not reach 125, repayment of \$500 per month begins immediately.

\*\*If repayment of \$14,200 is not complete, monthly repayment amount would be \$2,000.

## ATTACHMENT G

City of Morgan Hill  
Recreation & Community Services Department

### PROPOSED AQUATIC CENTER RENTAL RATES September 27, 2006

	Current	Proposed
Lane Rentals: September - April	\$800/lane/month	Year Round Basis *Based on Members *Minimum of five lanes  0-124 Members \$200/lane/month  125-149 Members \$310/lane/month  150-174 Members \$350/lane/month  175-199 Members \$425/lane/month  200-224 Members \$500/lane/month  225+ Members \$600/lane/month
Lane Rentals: May – August	\$600/lane/month	<i>Eliminate</i>
Swim Meets: Memorial Day – Labor Day	\$2,500/day	Year Round Basis \$1,000/day
Swim Meets: Post Labor Day – Pre Memorial Day	\$2,000/day	<i>Eliminate</i>
Water Polo	\$40/hour	\$45/hour



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE: SEPTEMBER 27, 2006**

**Agenda Item # 7**

**Prepared By:**

**Jack Dilles**

**Submitted By:**

**City Manager**

### **WATER RATES**

#### **RECOMMENDED ACTION:**

The City Council take no action regarding water rates or perchlorate surcharges, thus keeping the adopted series of rate adjustments in effect.

**EXECUTIVE SUMMARY:** Resolution No. 5766 reads as follows: "...The Finance Director shall report to the City Council by each September 30<sup>th</sup> prior to January 1 of 2005, 2006, and 2007, regarding the need for previously adopted upcoming rate adjustments and rate surcharges approved by the City Council on February 5, 2003, and January 21, 2004, to be effective on the following January 1. The adjustments or surcharges, effective on each January 1 implementation date, shall not be implemented if the City Council, based upon the Finance Director's report, eliminates the January 1 adjustments or surcharges. The Finance Director's annual report shall analyze whether the January 1 adjustments are necessary to provide for anticipated costs through June 30 of the fourth year following the report, and to maintain reserves equal to the following:

- |    |                                |                      |
|----|--------------------------------|----------------------|
| a. | Operating Reserve amounting to | \$1.8 million        |
| b. | Capital Reserve amounting to   | \$1.2 million        |
| c. | Rate Stabilization Reserve     | <u>\$1.3 million</u> |
|    | Total required Reserves        | \$4.3 million        |

In addition, the Finance Director's report shall analyze whether the amount of surcharges collected from rate payers is sufficient to finance all anticipated perchlorate related costs through June 30 of the fourth year following the report..."

The Utilities and Environment Committee considered the Finance Director's report at their September 25 meeting and those results will be shared this evening. The Finance Director recommends that the City Council take no action at this time to reduce the 2% rate increase or 5% perchlorate surcharge increase, both of which are scheduled to become effective on January 1, 2007. Staff has concluded that both increases are necessary. Attachment A shows that the City's water operations fund is projected to have a negative (\$2.7) million balance at June 30, 2010, while the total water enterprise fund balance at that time is projected to reach a negative (\$258,000) balance, or \$4.5 million less than the \$4.3 million reserve requirement summarized above. These projections assume that the scheduled 2% rate increase occurs on January 1, 2007 and that the scheduled 5% perchlorate surcharge occurs on January 1, 2007. Staff notes there is potential volatility in water usage, Santa Clara Valley Water District pump tax rates, and capital project needs. Attachment B summarizes past and projected perchlorate surcharge revenues and costs. This schedule shows that perchlorate related costs have exceeded revenues by \$1.6 million through June 2006. Attachment B also projects that, at June 30, 2010, cumulative perchlorate revenues will equal cumulative costs if the surcharge is increased by 5% to 20% at January 2007, if the surcharge is reduced to 15% in July 2008, and if the surcharge is further reduced to 10% in July 2009.

A typical single family residential customer who uses 19 units will see their average monthly bill rise by \$2.50 to \$41.77 and a typical multi-family customer who uses 6 units will see their average monthly bill rise by \$0.84 to \$14.05. Commercial and industrial customers will also see their bills increase by 7%.

**FISCAL IMPACT:** The scheduled January 1, 2007, 2% water rate and 5% perchlorate surcharge increases are necessary to pay for vital public services. The scheduled 2% water rate increase will bring in approximately \$125,000 more in revenue per year, while the scheduled 5% perchlorate surcharge will bring in approximately \$325,000 more per year. The scheduled rate increase is insufficient to maintain sufficient reserves, as projected. However, staff is currently preparing a request for proposals to hire a rate consultant to make recommendations regarding appropriate future rate adjustments and bond financing, as planned in the current Work Plan. Special counsel is aggressively pursuing recovery of all perchlorate related costs so that rate payers may be credited for additional amounts collected.



PROJECTED ACTIVITY FOR WATER FUNDS  
9/27/2006

**ATTACHMENT A**

	Actual	Actual	Actual	Projected	Staff	Staff	Staff
	2003/04	2004/05	2005/06	2006/07	Projected	Projected	Projected
	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>
<b>Operations Fund beginning fund bal.</b>	<b>2,589,609</b>	<b>3,454,907</b>	<b>4,018,129</b>	<b>3,638,504</b>	<b>1,558,820</b>	<b>632,751</b>	<b>(836,091)</b>
Revenues - including 2% rate increases	6,273,934	6,051,946	6,104,302	6,250,805	6,439,580	6,568,371	6,699,739
Adopted add'l 5% perchlorate surcharges	70,046	389,461	705,864	1,137,000	1,336,000	1,023,000	696,000
Revenues - SCVWD perchlorate payments		28,800	41,218				
Revenues - other	723,149	494,415	622,921	651,868	671,424	691,567	712,314
Revenues - interest earnings	71,827	171,638	174,443	117,000	42,000	(20,000)	(88,000)
<b>Total revenues</b>	<b>7,138,956</b>	<b>7,136,260</b>	<b>7,648,748</b>	<b>8,156,673</b>	<b>8,489,004</b>	<b>8,262,938</b>	<b>8,020,052</b>
Operating Costs besides water purchases*	(4,818,937)	(5,079,147)	(5,097,827)	(6,249,850)	(6,437,346)	(6,630,466)	(6,829,380)
Water purchase costs	(1,466,348)	(1,504,943)	(1,702,661)	(1,788,400)	(1,942,739)	(2,102,471)	(2,268,903)
Non-capital Perchlorate costs	(585,826)	(604,539)	(527,885)	(555,000)	(731,650)	(625,506)	(641,271)
Carryover encumbrances				(207,114)			
Transfers In/(Out) (stabilization fund)	850,000	-	(700,000)	(516,870)	58,000	58,000	58,000
Transfers In/(Out) (capital projects fund)	-	-	-	(919,123)	(361,338)	(431,338)	(246,000)
Transfers In/(Out) (loans to impact fund)	(252,547)	615,591	-	-	-	-	-
<b>Total costs/transfers</b>	<b>(6,273,658)</b>	<b>(6,573,038)</b>	<b>(8,028,373)</b>	<b>(10,236,357)</b>	<b>(9,415,072)</b>	<b>(9,731,781)</b>	<b>(9,927,553)</b>
<b>Operations Fund balance at year-end</b>	<b>3,454,907</b>	<b>4,018,129</b>	<b>3,638,504</b>	<b>1,558,820</b>	<b>632,751</b>	<b>(836,091)</b>	<b>(2,743,592)</b>
 <b>Stabilization Fund beginning fund bal.</b>	 <b>867,429</b>	 <b>26,628</b>	 <b>26,896</b>	 <b>738,130</b>	 <b>1,300,000</b>	 <b>1,300,000</b>	 <b>1,300,000</b>
<b>Revenues (interest earnings)</b>	<b>9,750</b>	<b>762</b>	<b>11,726</b>	<b>45,000</b>	<b>58,000</b>	<b>58,000</b>	<b>58,000</b>
Costs	(551)	(494)	(492)	0	0	0	0
Transfers In/(Out) - Operations Fund	(850,000)	-	700,000	516,870	(58,000)	(58,000)	(58,000)
<b>Total costs/transfers</b>	<b>(850,551)</b>	<b>(494)</b>	<b>699,508</b>	<b>516,870</b>	<b>(58,000)</b>	<b>(58,000)</b>	<b>(58,000)</b>
<b>Stabilization Fund Balance at year-end</b>	<b>26,628</b>	<b>26,896</b>	<b>738,130</b>	<b>1,300,000</b>	<b>1,300,000</b>	<b>1,300,000</b>	<b>1,300,000</b>

\* Encumbrances are shown in year in which funds are expended

## PROJECTED ACTIVITY FOR WATER FUNDS

9/27/2006

ATTACHMENT A

	Actual	Staff Projected	Staff Projected	Staff Projected	Staff Projected	Staff Projected	Staff Projected
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>
<b>Capital Project beginning fund balance</b>	<b>3,857,482</b>	<b>3,355,609</b>	<b>3,441,902</b>	<b>1,881,163</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>
Revenues (interest earnings)	84,195	117,845	119,223	69,000	54,000	54,000	54,000
Bond proceeds		2,115,820					
Olin reimbursement	<u>715,146</u>	<u>64,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<b>799,341</b>	<b>2,297,762</b>	<b>119,223</b>	<b>69,000</b>	<b>54,000</b>	<b>54,000</b>	<b>54,000</b>
Costs - capital projects	(896,015)	(2,041,919)	(1,574,588)	(995,000)	(310,000)	(380,000)	(300,000)
Costs re-budgeted from prior year	-	-		(483,000)			
Plus encums carried over from p/y:	-	-		(85,948)			
Revenue bond debt service		(62,325)	(105,374)	(105,338)	(105,338)	(105,338)	
Bond issuance costs		(107,225)					
Transfers In/(Out) - (Impact Fee Fund)	(405,199)						
Transfers In/(Out) - (Operations Fund)	<u>-</u>	<u>-</u>	<u>-</u>	<u>919,123</u>	<u>361,338</u>	<u>431,338</u>	<u>246,000</u>
<b>Total costs/transfers</b>	<b>(1,301,214)</b>	<b>(2,211,469)</b>	<b>(1,679,962)</b>	<b>(750,163)</b>	<b>(54,000)</b>	<b>(54,000)</b>	<b>(54,000)</b>
<b>Capital Project Fund Balance-year-end</b>	<b><u>3,355,609</u></b>	<b><u>3,441,902</u></b>	<b><u>1,881,163</u></b>	<b><u>1,200,000</u></b>	<b><u>1,200,000</u></b>	<b><u>1,200,000</u></b>	<b><u>1,200,000</u></b>
<b>Total Water Rate Fund Bals.-Yr-End</b>	<b><u>6,837,144</u></b>	<b><u>7,486,927</u></b>	<b><u>6,257,797</u></b>	<b><u>4,058,820</u></b>	<b><u>3,132,751</u></b>	<b><u>1,663,909</u></b>	<b><u>(243,592)</u></b>
Less: perchlorate related portion of Fund Balance:							
<b>Total Water Rate Fund Bals.-Yr-End (net of perchlorate related balance):</b>							

\* Encumbrances are shown in year in which funds are expended

## COUNCIL POLICY GOALS:

OPERATIONS

\$1.8 MILLION

STABILIZATION

\$1.3 MILLION

CAPITAL PROJECTS

\$1.2 MILLION

TOTAL

**\$4.3 MILLION**

**Staff**

**Projected  
02/03-09/10**

**Activity**

**2,589,609**

44,388,677

5,357,371

70,018

4,567,658

468,908

---

**54,852,631**

(41,142,952)

(12,776,464)

(4,271,677)

(207,114)

(192,870)

(1,957,799)

363,044

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**(60,185,833)**

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**(2,743,592)**

**867,429**

**241,238**

(1,537)

192,870

---

**191,333**

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**1,300,000**

**Staff**

**Projected  
02/03-09/10**

**Activity**

**3,857,482**

552,263

2,115,820

779,243

---

**3,447,326**

(6,497,522)

(483,000)

(85,948)

(483,713)

(107,225)

(405,199)

1,957,799

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**(6,104,808)**

---

**1,200,000**

(243,592)

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(14,218)

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**(257,810)**

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## SUMMARY OF PERCHLORATE COSTS

## ATTACHMENT B

	<u>Actual</u> <u>2001/02</u>	<u>Actual</u> <u>2002/03</u>	<u>Actual</u> <u>2003/04</u>	<u>Actual</u> <u>2004/05</u>	<u>Actual</u> <u>2005/06</u>	<u>Projected</u> <u>2006/07</u>	<u>Projected</u> <u>2007/08</u>	<u>Projected</u> <u>2008/09</u>	<u>Projected</u> <u>2009/10</u>	<u>Totals</u>
<b>REVENUES:</b>										
OLIN REIMBURSEMENTS			715,146	64,097			<i>TBD***</i>	<i>TBD***</i>	<i>TBD***</i>	779,243
SCVWD PAYMENTS				28,800	41,218					70,018
SURCHARGES										
4/1/04 (INITIAL 5%)			70,046	300,000	312,000	325,000	334,000	341,000	348,000	1,682,046
1/1/05 (5% MORE)				89,461	312,000	325,000	334,000	341,000	348,000	1,401,461
1/1/06 (5% MORE)					81,864	325,000	334,000	341,000	-	1,081,864
1/1/07 (5% MORE)						162,000	334,000	-	-	-
			70,046	389,461	705,864	1,137,000	1,336,000	1,023,000	696,000	5,357,371
<b>TOTAL REVENUES</b>			<b>785,192</b>	<b>482,358</b>	<b>747,082</b>	<b>1,137,000</b>	<b>1,336,000</b>	<b>1,023,000</b>	<b>696,000</b>	<b>6,206,632</b>
<b>COSTS:</b>										
NEW WELLS	(106,216)	(580,298)	(192,638)	(478,843)	(550,865)					(1,908,860)
OPERATIONS		(14,728)	(378,076)	(302,234)	(312,993)	(340,000)	(510,200)	(525,506)	(541,271)	(2,925,008)
LEGAL/TECH		(11,149)	(207,750)	(302,305)	(214,892)	(215,000)	(221,450)	(100,000)	(100,000)	(1,372,546)
<b>TOTAL COSTS:</b>	<b>(106,216)</b>	<b>(606,175)</b>	<b>(778,464)</b>	<b>(1,083,382)</b>	<b>(1,078,750)</b>	<b>(555,000)</b>	<b>(731,650)</b>	<b>(625,506)</b>	<b>(641,271)</b>	<b>(6,206,414)</b>
<b>NET BALNCE</b>	<b>(106,216)</b>	<b>(606,175)</b>	<b>6,728</b>	<b>(601,024)</b>	<b>(331,668)</b>	<b>582,000</b>	<b>604,350</b>	<b>397,494</b>	<b>54,729</b>	<b>218</b>
<b>CUMULATIVE</b>	<b>(106,216)</b>	<b>(712,391)</b>	<b>(705,663)</b>	<b>(1,306,687)</b>	<b>(1,638,355)</b>	<b>(1,056,355)</b>	<b>(452,005)</b>	<b>(54,511)</b>	<b>218</b>	

**TBD:** to be determined: Special counsel is aggressively pursuing recovery of all perchlorate related costs so that rate payers may be credited for amounts received from Olin.





## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: SEPTEMBER 27, 2006***

### **WILDLIFE SCULPTURE TRAIL ALONG LITTLE LLAGAS CREEK**

#### **RECOMMENDED ACTION(S):**

1. Hear presentation and discuss the concept of a wildlife sculpture trail along Little Llagas Creek.
2. Refer the item to the Trails Master Plan Steering Committee to be considered for inclusion in the City of Morgan Hill Trails Master Plan.

#### **EXECUTIVE SUMMARY:**

Councilmember Mark Grzan along with artists Evelyn Davis and Marlene American made a presentation to several commissions, including Parks and Recreation, Library Culture and Arts and the Bicycle and Trails Advisory Committee regarding the restoration of Little Llagas Creek. They presented a concept of a restored nature trail filled with wildlife sculptures running along Little Llagas Creek. The Parks and Recreation Commission and the Bicycle and Trails Advisory Committee supported and endorsed the concept. The Library, Culture and Arts Commission appear to be in favor of the concept; however it will go before the Commission in October for a formal vote. The City is concurrently working on a Trails Master Plan and a steering committee, made up of interested citizens, has been formed to provide guidance on the Trails Master Plan.

#### **FISCAL IMPACT:**

No fiscal impact. Fiscal Impact will be determined as part of the Trails Master Plan.

**Agenda Item # 8**

**Prepared By:**

\_\_\_\_\_  
**Monica Delgado,**  
**Management Analyst**  
**Approved By:**

\_\_\_\_\_  
**Steve Rymer,**  
**Recreation and**  
**Community Services**  
**Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *September 27, 2006*

**Agenda Item #**     **9**

**Prepared By:**

**Public Works Director**

**Submitted By:**

**City Manager**

### **PERCHLORATE UPDATE**

**RECOMMENDED ACTION(S):** Information only at this time; subject to recommendation from U & E Committee's 9/25/06 meeting regarding perchlorate treatment policy.

**EXECUTIVE SUMMARY:** As recently reported to Council, staff and Mayor Kennedy attended the 9/7/06 Regional Board meeting in Monterey, and again pressed the Board to consider the additional documentation regarding naming Olin as the northeast plume discharger, and also presented reasons why there staff should reject Olin's 6/30/06 clean-up level report. The Board took no action on either issue, but their staff said they would be responding to Olin regarding the 9/30/06 clean-up level report within 2 weeks, and staff further said at the earliest they would ask the Board at a hearing in January or February of 2007 to consider adopting a clean-up order for the entire plume based upon work currently being reviewed or being developed at this time.

Another recent action of the State relative to perchlorate is that on 9/5/06 the Department of Health Services proposed a 6ppb maximum contaminant level (MCL) for perchlorate through the issuance of a Notice of Proposed Rulemaking. More information relative to the process to adopt an MCL is attached, but at the earliest the MCL may be adopted by DHS in November of 2006.

The most important late-breaking news is that based upon our September 2006 monthly perchlorate well monitoring of all City wells, the concentrations of perchlorate are increasing in our northeast wells, and for the first time our San Pedro well as been confirmed as currently having 4.3 ppb perchlorate based upon sample results received on 9/7/06 and a confirming sample taken on 9/12/06. The well was turned off immediately after the initial reading and remains out of service. Based upon the current City policy of treating or removing from service any well that exceeds 4ppb, we are now soliciting proposals to have a perchlorate removal system placed on the well by 5/1/07, since we must have this source of water to meet our summer peak demand. In another report being presented by the Finance Director this evening regarding water rates and the perchlorate surcharge, we have assumed a 3<sup>rd</sup> perchlorate treatment system for San Pedro well in addition to those on Nordstrom and Tennant wells would be operating in the summer months beginning in the summer of 2007 similar to the operation of Nordstrom well.

The U & E Committee will review this report and the Finance Director's Water Rate report at the 9/25/06 meeting, and will provide a recommendation regarding continuing or amending our current perchlorate treatment policy.

**FISCAL/RESOURCE IMPACT:** It is estimated that the first year of perchlorate removal costs for the new San Pedro well ion exchange system will be approximately \$200,000 reduced to approximately \$150,000 in future years, assuming 5 months of operation per year. In accordance with Council directive, Staff and our Special Counsel continue to seek recovery of funds expended from the Olin Corporation.



**NUMBER:** 06-62  
**FOR RELEASE:** IMMEDIATE  
<http://www.dhs.ca.gov>

**DATE:** August 28, 2006  
**CONTACT:** Ken August  
or Lea Brooks  
(916) 440-7660

## **State Health Department Announces Proposed DRINKING WATER STANDAND FOR Perchlorate**

SACRAMENTO - The California Department of Health Services (CDHS) has proposed a maximum contaminant level (MCL) for perchlorate in drinking water of 6 parts per billion, State Public Health Officer Dr. Mark Horton announced today. If the proposed standard is adopted, public water systems cannot provide drinking water that exceeds a MCL without notifying their customers and must take steps to bring their water supply into compliance with drinking water regulations.

CDHS' announcement opens a public comment period that ends on Nov. 3. A public hearing will be held at 10 a.m. on Oct. 30 in CDHS' auditorium, 1500 Capitol Ave., Sacramento.

"Establishing the MCL allows CDHS to address a contaminant that, unfortunately, is quite common in certain areas of California," Horton said. "Perchlorates potential for harm is of concern to pregnant women and their developing fetuses, as well as children, so limiting exposure to this contaminant is important for protecting public health."

Perchlorate, primarily used in rocket fuel, explosives, fireworks, road flares and airbag inflation systems, is an inorganic chemical that is known to interfere with iodine uptake of the thyroid gland. A reduction in iodine uptake can result in decreased production of thyroid hormones, which are needed for prenatal and postnatal growth and development, as well as for normal metabolism and mental function in the adult.

State law requires CDHS to establish a MCL for perchlorate that protects public health, but also is as close to the Public Health Goal (PHG) as technically and economically feasible. PHGs are levels of contaminants in drinking water that would not be expected to pose a significant health risk to individuals consuming an average of two liters a day of water over a 70-year lifetime. A PHG for perchlorate was established in 2004 by the California Environmental Protection Agency's Office of Environmental Health Hazard Assessment (OEHHA). OEHHA's PHG for perchlorate is 6 ppb, the same as the MCL being proposed and consistent with the findings of a 2005 report on the chemical by the National Academy of Sciences.

CDHS began monitoring for perchlorate in 1997. In 1999, CDHS required water systems to monitor for the chemical as an "unregulated contaminant" to collect information on the extent of contamination throughout the state. Results from nearly 7,000 drinking water sources in California showed perchlorate to be present in approximately 450 sources in approximately 110 public water systems. Perchlorate has been detected primarily in groundwater wells located in Los Angeles, Orange, Riverside, San Bernardino and Sacramento counties. The chemical has also been detected in the Colorado River, an important source of water for drinking and irrigation in Southern California.

The proposed regulation, accompanying documents and information about submitting comments and the public hearing are on the CDHS Web site at <http://www.dhs.ca.gov/ps/ddwem/chemicals/perchl/perchlindex.htm>.

